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# **2002 Annual Report**

## **Chatham-Ridge Redevelopment Project Area**



**Pursuant to 65 ILCS 5/11-74.4-5(d)**

***JUNE 30, 2003***

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June 30, 2003

Ms. Alicia Mazur Berg  
Commissioner  
Department of Planning and Development  
121 N. LaSalle St.  
Chicago, Illinois 60602

Dear Commissioner:

Enclosed is the annual report for the Chatham-Ridge Redevelopment Project Area, which we compiled at the direction of the Department of Planning and Development pursuant to Section 5(d) of the Illinois Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as amended. The contents are based on information provided to us by Chicago Departments of Planning and Development, Finance, and Law. We have not audited, verified, or applied agreed upon accounting and testing procedures to the data contained in this report. Therefore, we express no opinion on its accuracy or completeness.

It has been a pleasure to work with representatives from the Department of Planning and Development and other City Departments.

Very truly yours,



Ernst & Young LLP

# Chatham-Ridge Redevelopment Project Area 2002 Annual Report

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City of Chicago  
Richard M. Daley, Mayor

Department of Planning  
and Development

Alicia Mazur Berg  
Commissioner

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June 30, 2003

The Honorable Daniel Hynes  
Comptroller  
State of Illinois  
Office of the Comptroller  
201 Capitol  
Springfield, IL 62706

Dear Comptroller Hynes:

We have compiled the attached information for the Chatham-Ridge  
Redevelopment Project Area (Report) pursuant to 65 ILCS 5/11-  
74.4-5(d).

Sincerely,

Alicia Mazur Berg  
Commissioner

NEIGHBORHOODS



## **Chatham-Ridge Redevelopment Project Area 2002 Annual Report**

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### **(1) DATE OF DESIGNATION OR TERMINATION - 65 ILCS 5/11-74.4-5(d)(1.5)**

The Project Area was designated on December 18, 1986. The Project Area may be terminated no later than December 18, 2009.

Note: Incremental tax revenues levied in the 23<sup>rd</sup> tax year are collected in the 24<sup>th</sup> tax year. Although the Project Area will expire in Year 23 in accordance with 65 ILCS 5/11-74.4-3(n)(J)(3), the incremental taxes received in the 24<sup>th</sup> tax year will be deposited into the Special Tax Allocation Fund.

The following is said ordinance as passed:

WHEREAS, Pursuant to ordinances adopted on December 18, 1986 and published in the *Journal of the Proceedings of the City Council* (the "*Journal*") for such date at pages 38084 -- 38090, in accordance with the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4, et seq. (2000 State Bar Edition), as amended (the "Act"), the City Council (the "City Council") of the City of Chicago (the "City"): (i) approved a redevelopment plan and project for a portion of the City known as the "Chatham Ridge Redevelopment Project Area" (the "Original Area"), as amended by Amendment Number 1 adopted by the City Council on October 30, 1996 and published at pages 30017 -- 30052 in the *Journal* for such date (together, the "Original Plan Ordinances"); (ii) designated the Original Area as a "redevelopment project area" under the Act (the "Designation Ordinance"); and (iii) adopted tax increment allocation financing for the Original Area (the "T.I.F. Adoption Ordinance") (the Original Plan Ordinances, the Designation Ordinance and the T.I.F. Adoption Ordinance are collectively referred to in this ordinance as the "T.I.F. Ordinances"); and

WHEREAS, Pursuant to an ordinance adopted on December 18, 1986 and published in the *Journal* for such date at pages 38090 -- 38092, in accordance with Section 11-74.4-8a(1) of the Act, the City Council authorized the Illinois Department of Revenue (the "I.D.O.R.") to (i) annually certify and cause to be paid to the City an amount equal to the Net State Sales Tax Increment (as defined in the Act) to be deposited by the City in the Special Tax Allocation Fund created pursuant to the T.I.F. Adoption Ordinance (the "Fund") for the Original Area, which was certified by the I.D.O.R. as the State Sales Tax Boundary (as defined in the Act) and (ii) annually notify the City of the amount of the Municipal Sales Tax Increment (as defined in the Act) for the State Sales Tax Boundary which is required under the Act to be deposited by the City in the Fund; and

WHEREAS, The City subsequently determined that the Original Area should be expanded to include additional contiguous areas (the "Added Property" and, together with the Original Area, the "Expanded Project Area"); and

WHEREAS, In connection with the addition of the Added Property to the Original Area, the City Council adopted the following ordinances amending and supplementing the T.I.F. Ordinances on March 27, 2002, in accordance with the provisions of the Act: (i) an Ordinance approving Amendment Number 2 to the Chatham Ridge Tax Increment Financing Redevelopment Project and Plan (the "Amended Plan") for the Expanded Project Area (the "Amended Plan Ordinance"); (ii) an Ordinance designating the Expanded Project Area as a "redevelopment project area" pursuant to the Act, which reconfirmed the designation of the Original Area and designated the Expanded Project Area as a "redevelopment project area" under the Act, and (iii) an Ordinance adopting tax increment allocation financing for the Expanded Project Area (collectively, the "Expanded Area T.I.F. Ordinances"); and

WHEREAS, The Act prohibits the expansion of the State Sales Tax boundary; and

WHEREAS, Section 11-74.4-3(n)(3) of the Act provides that for redevelopment project areas for which bonds were issued before July 29, 1991, or for which contracts were entered into before June 1, 1988, in connection with a redevelopment project in the area within the State Sales Tax Boundary, the estimated dates of completion of the redevelopment project and retirement of obligations to finance redevelopment project costs may be extended by municipal ordinance to December 31, 2013 without further hearing or notice and without complying with the procedures provided in the Act pertaining to an amendment to or the initial approval of a redevelopment plan and project and designation of a redevelopment project area; and

WHEREAS, Section 11-74.4-8a(1) of the Act provides that a municipality that has extended the estimated dates of completion of the redevelopment project and retirement of obligations to finance redevelopment project costs to December 31, 2013, shall continue to receive from the State of Illinois a share of the Net State Sales Tax Increment so long as, during the extension period, the municipality continues to deposit into the Fund, from any funds available, excluding monies in the Fund, an amount equal to the municipal share of the real property tax increment for the most recent year that the property tax increment was distributed; and

WHEREAS, Pursuant to an ordinance adopted by the City Council on November 4, 1987 and published in the *Journal* of such date at pages 5813 -- 5962, the City issued Four Million Eight Hundred Twenty-five Thousand Dollars (\$4,825,000) aggregate principal amount of its Chatham Ridge Tax Increment Revenue Bonds, Series 1987 (the "Series 1987 Bonds") on September 7, 1988, for the purpose of paying redevelopment project costs for the Original Area; and

WHEREAS, The City expects to issue its Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002, in an aggregate principal amount not to exceed Twenty-five Million Dollars (\$25,000,000) (the "Series 2002 Bonds") to finance redevelopment project costs in the Expanded Project Area and to refund all or a portion of the Series 1987 Bonds; and

WHEREAS, In connection with the issuance of the Series 2002 Bonds, the City desires to amend the Amended Plan to conform the Amended Plan to Section 11-74.4-3(n)(3) of the Act, in accordance with the procedures set forth therein; now, therefore,

*Be It Ordained by the City Council of the City of Chicago:*

SECTION 1. Recitals. The above recitals are incorporated herein and made a part hereof.

SECTION 2. Amendment Number 3 To Amended Plan Ordinance. Section 3.c. of the Amended Plan Ordinance is hereby amended to read as follows:

c. (i) The Amended Plan meets all of the requirements of a redevelopment plan as defined in the Act and, as set forth in the Amended Plan, the estimated date of completion of the projects described therein and funded with incremental property taxes and retirement of all obligations secured by incremental property taxes and issued to finance redevelopment project costs is not later than December 31 of the year in which the payment to the municipal treasurer as provided in subsection (b) of Section 5/11-74.4-8 of the Act is to be made with respect to ad valorem taxes levied in the twenty-third (23<sup>rd</sup>) calendar year after the year in which the ordinance approving the redevelopment project area is adopted, and, as required pursuant to Section 5/11-74.4-7 of the Act, no such obligation shall have a maturity date greater than twenty (20) years;

(ii) the estimated date of completion of the projects described therein and funded with incremental sales taxes and retirement of all obligations secured by incremental sales taxes and issued to finance redevelopment project costs is not later than December 31, 2013.

SECTION 3. Approval Of Amendment To Redevelopment Plan. The "Amendment Number 3 to Chatham Ridge Tax Increment Financing Redevelopment Plan and Project", a copy of which is attached hereto as Exhibit A (the "Amendment Number 3"), is hereby approved.

SECTION 4. Finding. The City Council hereby finds that the estimated dates of completion of (a) the redevelopment project described in the Amended Plan, as amended by Amendment Number 3, and in Section 2 of this ordinance, and (b) the retirement of obligations issued to finance redevelopment project costs set forth in

the Amended Plan, as amended by Amendment Number 3 and in Section 2 of this ordinance, conform to the provisions of Section 11-74.4-3(n)(3) of the Act.

**SECTION 5. Invalidity Of Any Section.** If any provision of this ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this ordinance.

**SECTION 6. Superseder.** All ordinances (including, without limitation, the T.I.F. Ordinances and the Expanded Area T.I.F. Ordinances), resolutions, motions or orders in conflict with this ordinance are hereby repealed to the extent of such conflict.

**SECTION 7. Effective Date.** This ordinance shall be in full force and effect immediately upon its passage.

Exhibit "A" referred to in this ordinance read as follows:

*Exhibit "A".*

*Amendment Number 3 To Chatham Ridge Tax  
Increment Financing Redevelopment  
Project And Plan.*

1. The section entitled, "Completion of Redevelopment Project and Retirement of Obligations", is amended to read as follows:

Amendment -- May 2002.

Any Redevelopment Project funded with incremental real property taxes shall be completed, and all obligations secured by incremental real property taxes and issued to finance redevelopment costs shall be retired no later than December 31 of the year in which the payment to the City Treasurer as provided in the Act is to be made with respect to ad valorem taxes levied in the twenty-third (23<sup>rd</sup>) calendar year following the year in which the ordinance approving this Redevelopment Area was adopted, such ultimate retirement date occurring on December 31, 2010. Any Redevelopment Project funded with incremental sales tax revenues shall be completed, and all obligations secured by incremental sales tax revenues and issued to finance redevelopment costs shall be retired no later than December 31, 2013.

WHEREAS, The City of Chicago (the "City"), by an ordinance adopted by the City Council of the City (the "City Council") on December 18, 1986, approved a redevelopment plan (the "Original Plan") for a portion of the City known as the Chatham Ridge Redevelopment Project Area (the "Original Redevelopment Project Area") for the purpose of implementing tax increment allocation financing ("Tax Increment Allocation Financing") pursuant to the Illinois Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et seq., as amended (the "Act"); and

WHEREAS, The City Council adopted an ordinance on December 18, 1986 designating the Original Redevelopment Project Area as a redevelopment project area pursuant to the Act; and

WHEREAS, The City Council adopted an ordinance on December 18, 1986 adopting Tax Increment Allocation Financing for the Original Redevelopment Project Area pursuant to the Act; and

WHEREAS, On October 30, 1996, the City Council adopted Amendment Number 1 to the Original Plan to include additional redevelopment project costs which were eligible for tax increment financing pursuant to the Act; and

WHEREAS, It is desirable and in the best interests of the citizens of the City for the City to encourage development of areas located adjacent to the Original Redevelopment Project Area by expanding the boundaries of the Original Redevelopment Project Area and designating such expanded project area as a redevelopment project area under the Act to be known as the Chatham Ridge Redevelopment Project Area Amendment Number 2 (the "Expanded Area"); and

WHEREAS, The City desires further to supplement and amend the Original Plan, as amended by Amendment Number 1, for the Original Redevelopment Project Area to provide for the redevelopment of the Expanded Area; and

WHEREAS, The City has caused to be prepared an eligibility study entitled "Chatham Ridge Amendment Number 2 Added Area Eligibility Report" (the "Eligibility Study") of the proposed additional portions ("Added Area") of the Expanded Area, which Eligibility Study confirms the existence within the Added Area of various blighting factors as set forth in the Act and supports a finding of eligibility of the Added Area for designation as a blighted area under the Act; and

WHEREAS, It is desirable and in the best interest of the citizens of the City for the City to implement Tax Increment Allocation Financing pursuant to the Act for the Expanded Area described in Section 2 of this ordinance, to be redeveloped pursuant to a proposed redevelopment plan and project attached hereto as Exhibit A (the "Amended Plan"); and

WHEREAS, The Community Development Commission (the "Commission") of the City has heretofore been appointed by the Mayor of the City with the approval of its

City Council (the City Council, referred to herein collectively with the Mayor as the "Corporate Authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to Section 5/11-74.4-4(k) of the Act; and

WHEREAS, The Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Act, including the holding of certain public hearings required by the Act; and

WHEREAS, By authority of the Corporate Authorities in accordance with Section 5/11-74.4-4.2 of the Act and pursuant to Section 5/11-74.4-5(a) of the Act, the City's Department of Planning and Development established an interested parties registry and, on January 9, 2000, published in the *Chicago Sun-Times* or *Chicago Tribune* a notice that interested persons may register in order to receive information on the proposed designation of the Expanded Area or the approval of the Amended Plan; and

WHEREAS, Pursuant to Sections 5/11-74.4-4 and 5/11-74.4-5 of the Act, the Commission, by authority of the Corporate Authorities, called a public hearing (the "Hearing") on February 5, 2002, concerning approval of the Amended Plan, designation of the Expanded Area as a redevelopment project area pursuant to the Act and adoption of Tax Increment Allocation Financing within the Expanded Area pursuant to the Act; and

WHEREAS, The Amended Plan (including the Eligibility Study attached thereto as a (sub)exhibit) was made available for public inspection and review pursuant to Section 5/11-74.4-5(a) of the Act beginning December 5, 2001, being a date not less than ten (10) days prior to the adoption by the Commission of Resolution 01-CDC-114 on December 18, 2001, fixing the time and place for the Hearing, at the offices of the City Clerk and the City's Department of Planning and Development; and

WHEREAS, Pursuant to Section 5/11-74.4-5(a) of the Act, notice of the availability of the Amended Plan (including the Eligibility Study attached thereto as a (sub)exhibit) and of how to obtain the same was sent by mail on December 27, 2001, which is within a reasonable time after the adoption by the Commission of Resolution 01-CDC-114, to: (a) all residential addresses that, after a good faith effort, were determined to be (i) located within the Expanded Area, and (ii) located within seven hundred fifty (750) feet of the boundaries of the Expanded Area (or, if applicable, were determined to be the seven hundred fifty (750) residential addresses that were closest to the boundaries of the Expanded Area); and (b) organizations and residents that were registered interested parties for such Expanded Area; and

WHEREAS, Due notice of the Hearing was given pursuant to Section 5/11-74.4-6 of the Act, said notice being given to all taxing districts having taxable property within the Expanded Area and to the Department of Commerce and Community

Affairs of the State of Illinois by certified mail on December 19, 2001, by publication in the *Chicago Sun-Times* or *Chicago Tribune* on January 15, 2002, and January 22, 2002, and by certified mail to taxpayers within the Expanded Area on January 22, 2002; and

WHEREAS, A meeting of the joint review board established pursuant to Section 5/11-74.4-5(b) of the Act (the "Board") was convened upon the provision of due notice on January 11, 2002, at 10:00 A.M. to review the matters properly coming before the Board and to allow it to provide its advisory recommendation regarding the approval of the Amended Plan, designation of the Expanded Area as a redevelopment project area pursuant to the Act and adoption of Tax Increment Allocation Financing within the Expanded Area, and other matters, if any, properly before it; and

WHEREAS, The Commission has forwarded to the City Council a copy of its Resolution 02-CDC-16, attached hereto as Exhibit B, adopted on February 5, 2002, recommending to the City Council approval of the Amended Plan, among other related matters; and

WHEREAS, The Corporate Authorities have reviewed the Amended Plan (including the Eligibility Study attached thereto as a (sub)exhibit), testimony from the Hearing, if any, the recommendation of the Board, if any, the recommendation of the Commission and such other matters or studies as the Corporate Authorities have deemed necessary or appropriate to make the findings set forth herein, and are generally informed of the conditions existing in the Expanded Area; now, therefore,

*Be It Ordained by the City Council of the City of Chicago:*

SECTION 1. Recitals. The above recitals are incorporated herein and made a part hereof.

SECTION 2. The Expanded Area. The Expanded Area is legally described in Exhibit C attached hereto and incorporated herein. The street location (as near as practicable) for the Expanded Area is described in Exhibit D attached hereto and incorporated herein. The map of the Expanded Area is depicted on Exhibit E attached hereto and incorporated herein.

SECTION 3. Findings. The Corporate Authorities hereby make the following findings as required pursuant to Section 5/11-74.4-3(n) of the Act:

a. the Expanded Area on the whole has not been subject to growth and development through investment by private enterprise and would not reasonably be expected to be developed without the adoption of the Amended Plan;

b. the Amended Plan:

(i) conforms to the comprehensive plan for the development of the City as a whole; or

(ii) either (A) conforms to the strategic economic development or redevelopment plan issued by the Chicago Plan Commission, or (B) includes land uses that have been approved by the Chicago Plan Commission;

c. the Amended Plan meets all of the requirements of a redevelopment plan as defined in the Act and, as set forth in the Amended Plan, the estimated date of completion of the projects described therein and retirement of all obligations issued to finance redevelopment project costs is not later than December 31 of the year in which the payment to the municipal treasurer as provided in subsection (b) of Section 11-74.4-8 of the Act is to be made with respect to ad valorem taxes levied in the twenty-third (23<sup>rd</sup>) calendar year after the year in which the ordinance approving the redevelopment project area is adopted, and, as required pursuant to Section 5/11-74.4-7 of the Act, no such obligation shall have a maturity date greater than twenty (20) years;

(d) the Amended Plan will not result in displacement of residents from inhabited units.

SECTION 4. Approval Of The Amended Plan. The City hereby approves the Amended Plan pursuant to Section 5/11-74.4-4 of the Act.

SECTION 5. Powers Of Eminent Domain. In compliance with Section 5/11-74.4-4(c) of the Act and with the Amended Plan, the Corporation Counsel is authorized to negotiate for the acquisition by the City of parcels contained within the Expanded Area. In the event the Corporation Counsel is unable to acquire any of said parcels through negotiation, the Corporation Counsel is authorized to institute eminent domain proceedings to acquire such parcels. Nothing herein shall be in derogation of any proper authority.

SECTION 6. Invalidity Of Any Section. If any provision of this ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this ordinance.

SECTION 7. Superseder. All ordinances, resolutions, motions or orders in conflict with this ordinance are hereby repealed to the extent of such conflict.

SECTION 8. Effective Date. This ordinance shall be in full force and effect immediately upon its passage.

[Exhibit "E" referred to in this ordinance printed on page 81760 of this *Journal*.]

Exhibits "A", "B", "C" and "D" referred to in this ordinance read as follows:

*Exhibit "A".*  
(To Ordinance)

*Chatham Ridge Tax Increment Financing  
Redevelopment Plan And Project Amendment Number 2.*

*I.*

*Introduction.*

On December 18, 1986, the City Council of the City of Chicago (the "City") adopted ordinances to: 1) approve the Chatham Ridge Redevelopment Area Redevelopment Plan and Project (the "Original Plan and Project"), 2) designate the Chatham Ridge Redevelopment Area (the "Original Redevelopment Area"), and 3) adopt tax increment allocation financing for the Chatham Ridge Redevelopment Area, all pursuant to the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1, et seq., as amended) (the "Act"). It was determined by the Community Development Commission and the Chicago City Council, based on information in the Original Plan and Project prepared by Laventhol and Horwath, that the Original Redevelopment Area on the whole had not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of the Original Plan and Project. The general land-use plan in the Original Redevelopment Area was approved by the Chicago Plan Commission as required under the Act.

On October 30, 1996, the City Council adopted an ordinance amending the Original Plan and Project to add eligible redevelopment project costs to the budget which were not included in the Original Plan and Project ("Amendment Number 1").

The City has determined that a further amendment to the Original Plan and Project and changes to the boundaries of the Original Redevelopment Area are necessary at this time, and such changes are incorporated in this Amendment Number 2 (the "Amendment", and together with the Original Plan and Project, the "Amended Plan and Project"). Specifically, the City of Chicago has determined that

expansion of the boundaries of the Original Redevelopment Area are needed to further the goals and objectives of the Original Plan and Project. In addition, the City has determined that certain other changes to the Original Plan and Project are desirable, particularly in recognition of amendments made to the Act since the adoption of the Original Plan and Project, and to increase the amount of estimated redevelopment project costs to reflect new redevelopment projects. Section 2 of this Amendment describes these modifications in detail.

The area to be added to the Original Redevelopment Area is hereafter referred to as the "Amended Area". The Amended Area, shown in Figure A, contains approximately twenty-two and five tenths (22.5) acres of land. Portions of the Amended Area are zoned B4-1, R-3, M1-1 and M1-2. The Amended Area is contiguous to the Original Redevelopment Area and includes twenty-nine (29) tax parcel and the contiguous public rights-of-way. The Amended Area contains an industrial enterprise (including two (2) buildings, parking and storage), Simeon Career Academy, a number of vacant parcels which were formerly occupied by deteriorated buildings, and the adjacent rights-of-way (see Figures A and B). The Amended Area on the whole has not been subject to growth and development by private enterprise and would not reasonably be anticipated to be developed without the adoption of this Amendment to the Original Plan and Project. The analysis of conditions within the Amended Area indicates that it is appropriate for designation as part of the Redevelopment Area (defined below) because it qualifies as a blighted area in accordance with the Act. Section 3 of this Amendment contains a description of the Amended Area, and Section 4 of this Amendment summarizes the conclusions of the eligibility analysis of the Amended Area.

Together, the Original Redevelopment Area and the Amended Area comprise the Chatham Ridge Redevelopment Area (hereafter referred to as the "Redevelopment Area"). Hereafter, every reference in this Amendment, in the Original Plan and Project (except for the physical description of the Original Redevelopment Area or any reference to the adoption by the City Council of an ordinance approving the Original Redevelopment Area), and in the Amended Plan and Project to the "Redevelopment Area" is deemed to include the Amended Area.

The Amended Plan and Project summarizes the analyses and findings of the consultant's work, which unless otherwise noted, is solely the responsibility of Teska Associates, Inc. ("Teska") and its sub-consultants. Teska has prepared this Amendment and the related eligibility report with the understanding that the City would rely (i) on the findings and conclusions of the Amended Plan and Project and the related eligibility report in proceeding with the designation of the Amended Area and the adoption and implementation of the Amended Plan and Project and (ii) on the fact that Teska has obtained the necessary information so that the Amended Plan and Project and the related eligibility report will comply with the Act.

This Amendment includes three (3) appendices. Appendix A contains the legal description for the Chatham Ridge Redevelopment Area, and also includes separate

legal descriptions for the Original Redevelopment Area and the Amended Area. Appendix B presents the eligibility analysis for the Amended Area. Appendix C contains the Original Plan and Project, and Appendix D contains Amendment Number 1.

## II.

### *Modifications To Original Plan And Project.*

Certain modifications to the Original Plan and Project are needed to clarify language, make changes related to an additional redevelopment project and update provisions affected by recent amendments to the Act. These modifications form the basis for the amendments to the Original Plan and Project as described below.

#### Redevelopment Area Description.

The boundary map, shown in Figure C, has been revised to include the Amended Area. As a result, the Redevelopment Area is now approximately one hundred eighteen and five-tenths (118.5) acres in size (including approximately twenty-two and five-tenths (22.5) acres in the Amended Area and approximately ninety-six (96) acres in the Original Redevelopment Area). The Redevelopment Area now contains a total of forty-seven (47) tax parcels.

#### References To Redevelopment Plan.

All references in the Original Plan and Project to the "Redevelopment Plan" or the "Redevelopment Plan and Project" shall be deemed to refer to such plan or plan and project, as each has been amended by Amendment Number 1 and this Amendment. The Original Plan and Project, as amended, shall be referred to herein as the "Redevelopment Plan".

#### Redevelopment Plan Goals And Objectives.

The following goal is hereby added to the General Goals set forth on the Original Plan and Project, included as Appendix C:

- Provide modern educational facilities to serve residents of adjacent neighborhoods and the City.

The following objectives are hereby added to the Redevelopment Objectives set forth on the Original Plan and Project included as Appendix C:

- Assist in the rehabilitation and expansion of Simeon Career Academy.
- Assist in the creation of new residential housing opportunities.
- Establish job readiness and job training programs to provide residents within and surrounding the Redevelopment Area with the skills necessary to secure jobs in the Redevelopment Area.
- Secure commitments from employers in the Redevelopment Area to interview graduates of the Redevelopment Area's job readiness and job training programs.

#### Additional Redevelopment Project.

The Original Project and Plan outlined a redevelopment project which consisted of the construction of a retail shopping center and movie theater complex at the corner of 87<sup>th</sup> Street and Lafayette Avenue. This project has been successfully completed. In early 2002, ground will be broken for a new residential project, consisting of ninety-nine (99) single-family homes in the western portion of the Original Redevelopment Area.

To further enhance the services and amenities available to the residents in and around the Redevelopment Area, the City has added the Amended Area in order to include Simeon Career Academy and the adjacent parcels. As described in Section 3 and the Eligibility Findings in Appendix B, this school is characterized by numerous blighting factors. As outlined in its Capital Improvement Program, the Board of Education of the City of Chicago has determined that the building must be demolished and replaced (with the exception of a recent gymnasium addition). Therefore, the Redevelopment Plan is amended to add the school reconstruction as a Redevelopment Project, including payment of eligible redevelopment project costs as permitted under the Act.

#### Land-Use Plan.

The Land-Use Plan section of the Original Plan and Project, included as Appendix C, is hereby amended to add the Amended Area. The Amended Area is designated for Industrial/Mixed-Use and Institutional Use. The area bounded by South Stewart Avenue, the railroad right-of-way, South Vincennes Avenue, and 83<sup>rd</sup> Street is designated for Industrial/Mixed-Use. Industrial use is consistent with the existing use and the uses immediately to the east. This category permits industrial and manufacturing businesses, parking, outdoor storage and

warehouse uses as appropriate. In addition, should the industrial user vacate the property, a variety of new uses may be appropriate. New uses may include residential uses (to complement the residential project to the southwest). Any redevelopment on the site must be compatible with the adjacent school and other nearby uses. The area bounded by South Stewart Avenue, 83<sup>rd</sup> Street, South Vincennes Avenue and 81<sup>st</sup> Street is designated for Institutional Use. Institutional uses may include schools and their associated athletic, cultural, parking and other accessory uses.

No changes are required to the land-use designations for the Original Redevelopment Area. The eastern portion of the Original Redevelopment Area is shown for Commercial Use, as described in the Original Project and Plan. The western portion of the Original Redevelopment Area is designated for Residential Use. The residential project (consisting of ninety-nine (99) single-family homes) which is currently planned for the area is consistent with this designation. The revised Future Land-Use Plan for the Redevelopment is shown in Figure D.

#### Eligible Costs.

To make the Redevelopment Plan consistent with the recent amendments to the Act, the following descriptions of eligible redevelopment project costs, and specific policies of the City of Chicago regarding such costs, are hereby added following the section "Development Design Objectives" of the Original Plan and Project, included as Appendix C.

#### Eligible Redevelopment Project Costs.

The City may incur, or reimburse a private developer or redeveloper for incurring, redevelopment project costs. Redevelopment project costs include the sum total of all reasonable or necessary costs incurred or estimated to be incurred, and any such costs incidental to the Redevelopment Plan. Such costs may include, without limitation, the following:

- costs of studies, surveys, development of plans and specifications, implementation and administration of the Redevelopment Plan including but not limited to staff and professional service costs for architectural, engineering, legal, financial, planning or other services;
- the cost of marketing sites within the Redevelopment Area to prospective businesses, developers and investors;
- property assembly costs, including but not limited to acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, site preparation, site improvements that serve as

an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to, parking lots and other concrete or asphalt barriers, and the clearing and grading of land;

- costs of rehabilitation, reconstruction, repair, or remodeling of existing public or private buildings, fixtures, and leasehold improvements; and the cost of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment;
- costs of the construction of public works or improvements as provided by the Act;
- costs of job training, and retraining projects, including the cost of welfare-to-work programs implemented by businesses located within the Redevelopment Area, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one (1) or more taxing districts, provided that such costs (i) are related to the establishment and maintenance of additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in a Redevelopment Area; and (ii) when incurred by a taxing district or taxing districts other than the municipality, are set forth in a written agreement by or among the municipality and the taxing district or taxing districts, which agreement describes the program to be undertaken, including but not limited to the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of the agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Sections 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act (as defined in the Act) and by school districts of costs pursuant to Section 10-22.20a and 10-23.3a of the School Code (as defined in the Act);
- financing costs, including but not limited to all necessary and incidental expenses related to the issuance of obligations under the Act and which may include payment of interest on any obligations issued thereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued, and not exceeding thirty-six (36) months thereafter and including reasonable reserves related thereto;

- to the extent the City by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from the Redevelopment Project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the Redevelopment Plan and Redevelopment Project;
- an elementary, secondary or unit school district's increased costs attributable to assisted housing units as provided in the Act;
- relocation costs to the extent that the City determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law;
- payment in lieu of taxes;
- interest cost incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project, provided that:
  - a. such costs are to be paid directly from the special tax allocation fund established pursuant to the Act; and
  - b. such payments in any one (1) year may not exceed thirty percent (30%) of the annual interest costs incurred by the redeveloper with regard to the redevelopment project during that year;
  - c. if there are not sufficient funds available in the special tax allocation fund to make the payment pursuant to this paragraph then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund;
  - d. the total of such interest payments paid pursuant to the Act may not exceed thirty percent (30%) of the total (i) cost paid or incurred by the redeveloper for the redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to the Act; and
  - e. the thirty percent (30%) limitation in (b) and (d) above may be increased to up to seventy-five percent (75%) of the interest costs incurred by a redeveloper for the financing of rehabilitated or new housing for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act;

- up to fifty percent (50%) of the cost of construction, renovation, and/or rehabilitation of all low- and very low-income housing units (for ownership or rental) as defined in Section 3 of the Illinois Affordable Housing Act. If the units are part of a residential redevelopment project that includes units not affordable to low- and very low-income households, only the low- and very low-income units shall be eligible for this benefit under the Act;
- the cost of day care services for children of employees from low-income families working for businesses located within the Redevelopment Area and all or a portion of the cost of operation of day care centers established by Redevelopment Area businesses to serve employees from low-income families working in businesses located in the Redevelopment Area. For the purposes of this paragraph, "low-income families" means families whose annual income does not exceed eighty percent (80%) of the City, county or regional median income as determined from time to time by the United States Department of Housing and Urban Development.

In the event the Act is amended after the date of the approval of this Redevelopment Plan by the City Council of Chicago to (i) include new eligible redevelopment project costs or (ii) expand the scope or increase the amount of existing eligible redevelopment project costs (such as, for example, by increasing the amount of incurred interest costs that may be paid under 65 ILCS5/11-74.4-3(q)(11)), this Redevelopment Plan shall be deemed to incorporate such additional, expanded or increased eligible costs as eligible costs under the Redevelopment Plan, to the extent permitted by the Act. In the event of such amendment(s), the City may add any new eligible redevelopment project costs as a line item in Table 1, or otherwise adjust the line items in Table 1 without amendment to this Redevelopment Plan.

In no instance, however, shall such additions or adjustments result in any increase in the total redevelopment project costs without a further amendment to this Redevelopment Plan.

#### Property Assembly.

To meet the goals and objectives of this Redevelopment Plan, the City may acquire and assemble property throughout the Redevelopment Area. Land assemblage by the City may be by purchase, exchange, donation, lease, eminent domain or through the Tax Reactivation Program and may be for the purpose of (a) sale, lease or conveyance to private developers, or (b) sale, lease, conveyance or dedication for the construction of public improvements or facilities. Furthermore, the City may require written redevelopment agreements with developers before acquiring any properties. As appropriate, the City may devote

acquired property to temporary uses until such property is scheduled for disposition and redevelopment.

In connection with the City exercising its power to acquire real property, including the exercise of the power of eminent domain, under the Act in implementing the Redevelopment Plan, the City will follow its customary procedures of having each such acquisition recommended by the Community Development Commission (or any successor commission) and authorized by the City Council of the City. Acquisition of such real property as may be authorized by the City Council does not constitute a change in the nature of this Redevelopment Plan.

#### Property Disposition.

Property to be acquired by the City as part of the Redevelopment Project may be assembled into appropriate redevelopment sites. As part of the redevelopment process the City may: (i) sell, lease or convey such property for private redevelopment; or (ii) sell, lease or dedicate such property for construction of public improvements or facilities. Terms of conveyance shall be incorporated into appropriate disposition agreements and may include more specific restrictions than contained in the Redevelopment Plan or in other municipal codes and ordinances governing the use of land or the construction of improvements.

#### Rehabilitation Of Existing Public Or Private Structures.

The City of Chicago may provide assistance to encourage rehabilitation of existing public or private structures which will remove conditions which contribute to the decline of the character and value of the Redevelopment Area. Appropriate assistance may include but is not limited to:

- Financial support to private property owners for the restoration and enhancement of existing structures within the Redevelopment Area.
- Improvements to the facade or rehabilitation of public or private buildings.

#### Public Improvements.

The City of Chicago may install public improvements to enhance the Redevelopment Area as a whole, to support the Redevelopment Plan and Redevelopment Project, and to serve the needs of Redevelopment Area residents. Appropriate public improvements may include, but are not limited to:

- vacation, removal, resurfacing, widening, reconstruction, construction, and other improvements to streets, alleys, pedestrian ways and pathways;
- installation of traffic improvements, viaduct improvements, street lighting and other safety and accessibility improvements;
- development of parks, playgrounds, plazas and places for public leisure and recreation;
- construction of public off-street parking facilities;
- installation, reconstruction, improvement or burial of public or private utilities;
- construction of public buildings;
- beautification, lighting and signage of public properties;
- maintenance of public rights-of-way in privately-owned properties;
- demolition of obsolete or hazardous structures;
- improvements to publicly owned land or buildings to be sold or leased.

#### Job Training.

Separate or combined programs designed to increase the skills of the labor force to meet employers' hiring needs and to take advantage of the employment opportunities within the Redevelopment Area may be implemented.

#### Developer Interest Costs.

Funds may be provided to redevelopers for a portion of interest costs incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project, provided that:

- a. such costs are to be paid directly from the special tax allocation fund established pursuant to the Act;
- b. such payments in any one (1) year may not exceed thirty percent (30%) of the annual interest costs incurred by the redeveloper with respect to the redevelopment project during that year (or, in the case of redevelopment projects involving the construction or rehabilitation of new housing for low-income households and very low-income households, seventy-five percent (75%) of such annual interest costs).

### Estimated Project Development Costs.

The table of estimated redevelopment project costs set forth in Amendment Number 1 is hereby replaced with Table 1 below. Day care expenditures have been added as new line items in the estimated redevelopment project cost budget, to reflect the addition of these costs as eligible costs in recent amendments to the Act.

The total expenditures have also been increased to account for new redevelopment projects.

Table 1.

### Estimated Redevelopment Project Costs. (Amended Plan And Project)

Eligible Cost	Amendment Number 1 Project Costs	Amended Project Costs
Property Assembly (including land acquisition, demolition, site preparation, environmental remediation)	\$10,500,000	\$10,500,000
Public Works and Improvements (including streets and utilities, parks and open space, and public facilities such as schools and other public facilities) <sup>(1)</sup>	5,000,000	6,500,000
Relocation	500,000	500,000

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<sup>(1)</sup> This category may also include paying for or reimbursing (i) an elementary, secondary or unit school district's increased costs attributed to assisted housing units, and (ii) capital costs of taxing districts impacted by the redevelopment of the Redevelopment Area. As permitted by the Act, to the extent the City by written agreement accepts and approves the same, the City may pay, or reimburse all, or a portion of a taxing district's capital costs resulting from a redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the Redevelopment Plan.

Eligible Cost	Amendment Number 1 Project Costs	Amended Project Costs
Professional Services (analysis, studies, plans, surveys, administration, legal, architectural, engineering, environmental audits, marketing, et cetera)	\$1,500,000	\$1,500,000
Developer Interest Costs	2,000,000	2,500,000
Rehabilitation of Existing Buildings, Fixtures and Leasehold Improvements, Affordable Housing Construction and Rehabilitation	5,000,000	6,500,000
Job Training, Retraining, Welfare-to-Work	500,000	1,000,000
Day Care Services	0	1,000,000
<b>TOTAL REDEVELOPMENT PROJECT COSTS:<sup>(2)(3)</sup></b>	<b>\$25,000,000</b>	<b>\$30,000,000<sup>(4)</sup></b>

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(2) Total Redevelopment Project Costs exclude any additional financing costs, including any interest expenses, capitalized interest and costs associated with optional redemptions. These costs are subject to prevailing market conditions and are in addition to Total Redevelopment Project Costs.

(3) The amount of the Total Redevelopment Project Costs that can be incurred in the Redevelopment Area will be reduced by the amount of redevelopment project costs incurred in contiguous redevelopment project areas, or those separated from the Redevelopment Area only by a public right-of-way, that are permitted under the Act to be paid, and are paid, from incremental property taxes generated in the Redevelopment Area, but will not be reduced by the amount of redevelopment project costs incurred in the Redevelopment Area which are paid from incremental property taxes generated in contiguous redevelopment project areas or those separated from the Redevelopment Area only by a public right-of-way.

(4) Increases in estimated Total Redevelopment Project Costs of more than five percent (5%), after adjustment for inflation from the date of the Redevelopment Plan adoption, are subject to amendment procedures as provided under the Act.

#### Sources Of Funds To Pay Redevelopment Project Costs.

The following language is hereby added to the Original Plan and Project (included as Appendix C) under the heading "Sources of Funds":

The Redevelopment Area may, in the future, become contiguous to, or be separated only by a public right-of-way from other redevelopment project areas created under the Act. The City may utilize net incremental property taxes received from the Redevelopment Area to pay eligible redevelopment project costs (under the Act) or pay obligations issued to pay such costs in other contiguous redevelopment project areas, or those separated only by a public right-of-way, and vice versa. The amount of revenue from the Redevelopment Area made available to support such contiguous redevelopment project areas, or those separated only by a public right-of-way, when added to all amounts used to pay eligible Redevelopment Project costs incurred within the Redevelopment Area, shall not at any time exceed the total Redevelopment Project Costs described in Table 1.

The City, at its sole discretion, may issue general obligation bonds secured by the full faith and credit of the City for the purpose of financing redevelopment project costs. Such bonds may be payable from ad valorem taxes levied against all taxable property in the City of Chicago.

The City may incur redevelopment project costs which are paid for from funds of the City other than incremental taxes, and the City may then be reimbursed for such costs from incremental taxes.

#### Equalized Assessed Valuation Of Properties In The Redevelopment Area.

The initial equalized assessed valuation for the Original Redevelopment Area, based on the 1985 equalized assessed value (E.A.V.) for all taxable parcels within the Original Redevelopment Area, is One Million Three Hundred Two Thousand One Hundred Nineteen Dollars (\$1,302,119). The 1985 equalized assessed valuation for the tax parcels included in the Original Redevelopment Area is shown in Table 2.

Table 2.

1985 Initial Equalized Assessed Valuation  
In Original Redevelopment Area.

Permanent Index Number	1985 E.A.V.
20-33-305-004	\$ 0
20-33-305-005	1,374
20-33-305-006	6,753
20-33-305-010	3,608
20-33-305-012	0
20-33-305-013	0
20-33-305-018	0
20-33-305-022	39,170
20-33-305-024	9,522
20-33-305-025	12,535
20-33-305-026	0
20-33-305-027	112,820
20-33-305-028	0
20-33-305-029	106,635
20-33-305-030	159,606
20-33-411-013	634,930
20-33-411-014	0

Permanent Index Number	1985 E.A.V.
20-33-411-021	\$ 79,151
20-33-411-022	45,936
20-33-411-028	90,079
TOTAL:	\$1,302,119

Based on the 2000 E.A.V. information, the total E.A.V. of the property within the Amended Area is One Million One Hundred Forty-four Thousand Three Hundred Eighty-seven Dollars (\$1,144,387). This shall serve as the "initial equalized assessed valuation" for the Amended Area.

Table 3.

## 2000 Equalized Assessed Valuation In Amended Area.

Permanent Index Number	2000 E.A.V.
20-33-127-002	\$ 0
20-33-127-003	0
20-33-127-005	0
20-33-127-006	0
20-33-127-008	0
20-33-127-009	0
20-33-127-010	0
20-33-127-011	0
20-33-127-013	0
20-33-127-014	0

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Permanent Index Number	2000 E.A.V.
20-33-127-016	\$ 0
20-33-127-017	0
20-33-127-018	0
20-33-127-019	0
20-33-127-020	0
20-33-127-021	656
20-33-127-022	0
20-33-127-023	0
20-33-127-024	0
20-33-127-025	0
20-33-127-026	0
20-33-127-027	9,134
20-33-127-028	1,641
20-33-127-029	1,630
20-33-127-030	1,641
20-33-127-031	16,565
20-33-127-032	0
20-33-127-033	3,044
20-33-305-016	1,110,076
TOTAL:	\$1,144,387

If the 2001 E.A.V of the property in the Amended Area shall become available prior to the date of the adoption of this Amendment by the City Council of the City, the City may supplement the Amended Plan and Project, prior to or after the passage of such ordinance, with the 2001 E.A.V. without further City Council action, and such updated information shall become the initial E.A.V. which the Cook County Clerk will certify for the Redevelopment Area.

The initial equalized assessed valuation of the Amended Area, as well as that of the Original Redevelopment Area, is subject to final determination and verification by the Cook County Assessor. After verification, the correct figure shall be certified by the County Clerk of Cook County, Illinois.

#### Anticipated Equalized Assessed Valuation.

As described above, the initial equalized assessed value of the Original Redevelopment Area is One Million Three Hundred Two Thousand One Hundred Nineteen Dollars (\$1,302,119). This was the equalized assessed value in 1985. Since that time, the retail redevelopment project, consisting of a shopping center and movie theater complex along West 87<sup>th</sup> Street west of South Lafayette Avenue, has been implemented. These highly successful developments have resulted in a significant increase in the equalized assessed value of the Original Redevelopment Area, to Twenty-two Million Three Hundred Thirty-six Thousand Two Hundred Thirty-four Dollars (\$22,336,234) in 2000.

The 2000 equalized assessed value of the Amended Area is currently One Million One Hundred Forty-four Thousand Three Hundred Eighty-seven Dollars (\$1,144,387). In addition to the residential project at West 87<sup>th</sup> Street and South Parnell Avenue (anticipated to begin construction in early 2002), the major anticipated redevelopment project introduced by this Amendment is the reconstruction of Simeon Career Academy. The entire block bounded by West 81<sup>st</sup> Street, South Stewart Avenue, West 83<sup>rd</sup> Street and South Vincennes Avenue will be occupied by the reconstructed school facilities. Although this project will represent significant investment in the Amended Area, the equalized assessed value of the Amended Area will actually fall in the near term, as the remainder of the properties on the project site are re-classified as exempt (at which time their equalized assessed value will fall to zero (0)).

Upon completion of development of the Redevelopment Area as anticipated in Figure D, including the reconstruction of Simeon Career Academy and the construction of ninety-nine (99) new single-family homes, the anticipated equalized assessed valuation of the entire Redevelopment Area will be approximately Thirty-five Million Dollars (\$35,000,000). The calculation assumes that assessments appreciate at a rate of two percent (2%) per year.

#### Completion Of Redevelopment Project And Retirement Of Obligations.

The first (1<sup>st</sup>) two (2) sentences of the paragraph under the heading "Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment Costs" of the Original Project and Plan (attached as Appendix C) are hereby replaced with the following:

The Redevelopment Project shall be completed, and all obligations issued to finance redevelopment costs shall be retired, no later than December 31 of the year in which the payment to the City Treasurer as provided in the Act is to be made with respect to ad valorem taxes levied in the twenty-third (23<sup>rd</sup>) calendar year following the year in which the ordinance approving this Redevelopment Area is adopted (by December 31, 2010).

#### Other Elements Of The Redevelopment Plan.

The following elements are hereby added following the section "Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment Costs" of the Original Project and Plan (attached as Appendix C):

#### Affirmative Action And Fair Employment Practices.

The City is committed to and will affirmatively implement the following principles with respect to this Redevelopment Plan:

1. The assurance of equal opportunity in all personnel and employment actions, including, but not limited to: hiring, transfer, promotion, discipline, fringe benefits, salary, employment working conditions, termination, et cetera, without regard to race, color, religion, sex, marital status, parental status, age, disability, national origin, creed, ancestry, sexual orientation, military discharge status, source of income or housing status.
2. Redevelopers will meet City of Chicago, or Board of Education of the City of Chicago (where applicable), standards for participation of Minority Business Enterprises and Woman Business Enterprises, the City Resident Construction Worker Employment Requirement and the prevailing wage requirements as required in redevelopment agreements.
3. This commitment to affirmative action will ensure that all members of the protected groups are sought out to compete for job openings and promotional opportunities.
4. Redevelopers will meet City standards for the prevailing wage rate as ascertained by the Illinois Department of Labor to all project employees.

In order to implement these principles, the City shall require and promote equal employment practices and affirmative action on the part of itself and its contractors and vendors. In particular, parties engaged by the City shall be required to agree to the principles set forth in this section.

With respect to the public/private development's internal operations, all entities will pursue employment practices which provide equal opportunity to all people regardless of race, color, religion, sex, marital status, parental status, age, disability, national origin, creed, ancestry, sexual orientation, military discharge status, source of income or housing status. Neither party will countenance discrimination against any employee or applicant because of race, color, religion, sex, marital status, parental status, age, disability, national origin, creed, ancestry, sexual orientation, military discharge status, source of income or housing status. These nondiscriminatory practices will apply to all areas of employment, including hiring, upgrading and promotions, terminations, compensation, benefit programs and educational opportunities.

Anyone involved with employment or contracting activities for this Redevelopment Plan and Project will be responsible for conformance with this policy and the compliance requirements of applicable city, state, and federal laws and regulations.

The City and the private developers involved in the implementation of the Redevelopment Plan and Project will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level for the project being undertaken in the Project Area. Any public/private partnership established for the development project in the Redevelopment Area will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites and facilities at which employees are assigned to work. It shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such a working environment, with specific attention to minority and/or female individuals.

The partnership will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner.

The City shall have the right, in its sole discretion, to exempt certain small business, building owners and developers from items 1, 2, 3 and 4 above.

#### Affordable Housing.

The City requires that developers who receive T.I.F. assistance for market rate

housing set aside at least twenty percent (20%) of the units to meet affordability criteria established by the City's Department of Housing. Generally, this means the affordable for-sale units should be priced at a level that is affordable to persons earning no more than one hundred twenty percent (120%) of the area median income, and affordable rental units should be affordable to persons earning no more than eighty percent (80%) of the area median income.

#### Housing Impact.

As set forth in the Act, if the redevelopment plan for a redevelopment project area would result in the displacement of residents from ten (10) or more inhabited residential units, or if the redevelopment project area contains seventy-five (75) or more inhabited residential units and a municipality is unable to certify that no displacement will occur, the municipality must prepare a housing impact study and incorporate the study in the redevelopment project plan.

The Amended Area does not contain any residential housing units. The Original Redevelopment Area contains one (1) residential housing unit. Therefore, no housing impact study is required as part of this Redevelopment Plan.

#### Financial Impact Of Redevelopment.

Implementation of the Redevelopment Project is expected to have significant short- and long-term positive financial impacts on the taxing districts affected by this Redevelopment Plan. In the short term, the City's effective use of tax increment financing can be expected to stabilize existing assessed values in the Redevelopment Area, thereby stabilizing the existing tax base for local taxing agencies. In the long term, after the completion of all redevelopment improvements and activities, the completion of Redevelopment Projects and the payment of all Redevelopment Project Costs and municipal obligations, the taxing districts will benefit from any enhanced tax base which results from the increase in E.A.V. caused by the Redevelopment Projects.

The City intends to monitor development in the Redevelopment Area and, with the cooperation of the other affected taxing districts, will attempt to ensure that any increased needs are addressed in connection with any particular development.

The following taxing districts presently levy taxes against properties located within the Redevelopment Area:

Cook County. The County has principal responsibility for the protection of persons and property, the provision of public health services and the maintenance of County highways.

Cook County Forest Preserve District. The Forest Preserve District is responsible for acquisition, restoration and management of lands for the purpose of protecting and preserving open space in the City and County for the education, pleasure and recreation of the public.

Metropolitan Water Reclamation District Of Greater Chicago. This district provides the main trunk lines for the collection of waste water from cities, villages and towns, and for the treatment and disposal thereof.

City Of Chicago. The City is responsible for the provision of a wide range of municipal services, including: police and fire protection; capital improvements and maintenance; water supply and distribution; sanitation service; building, housing and zoning codes; et cetera.

Board Of Education Of The City Of Chicago And Chicago School Finance Authority. General responsibilities of the Board of Education include the provision, maintenance and operations of educational facilities and the provision of educational services for kindergarten through twelfth (12<sup>th</sup>) grade.

Chicago Community College District Number 508. This district is a unit of the State of Illinois' system of public community colleges, whose objective is to meet the educational needs of residents of the City and other students seeking higher education programs and services.

City Of Chicago Library Fund. The library fund provides for the operation and maintenance of City of Chicago public libraries.

Chicago Park District. The Park District is responsible for the provision, maintenance and operation of park and recreational facilities throughout the City and for the provision of recreation programs.

The replacement of underutilized property with new and expanded institutional and residential development, including ninety-nine (99) new single-family homes, may cause increased demand for services and/or capital improvements to be provided by these taxing districts. The estimated nature of these increased demands for services on these taxing districts, and the activities to address increased demand, are described below.

Cook County. The replacement of underutilized property with expanded institutional and residential development may cause increased demand for the services and programs provided by the County, particularly those provided to residents. However, many new residents of the Redevelopment Area are likely to relocate from other areas within Cook County. Therefore, no assistance is proposed for Cook County.

Metropolitan Water Reclamation District Of Greater Chicago. The replacement of underutilized property with institutional and residential development may cause increased demand for the services and/or capital improvements provided by the Metropolitan Water Reclamation District. As it is expected that any increase in demand for treatment and sanitary and storm sewage associated with the Redevelopment Area will be minimal, no assistance is proposed for the Metropolitan Water Reclamation District.

City Of Chicago. The replacement of underutilized property with institutional and residential development may cause increased demand for the services and programs provided by the City, including police protection, fire protection, sanitary collection, recycling, et cetera. A portion of Redevelopment Project Costs may be allocated to assist in the provision of such increased services, as provided in the Act and in this Redevelopment Plan.

Board Of Education Of The City Of Chicago And Chicago School Finance Authority. The replacement of underutilized properties with residential development may result in additional school-aged children in the Redevelopment Area. The reconstruction of Simeon Career Academy will represent a significant capital improvement for the Board of Education of the City of Chicago. As provided in the Act and this Redevelopment Plan, a portion of Redevelopment Project Costs may be allocated to assist the Board of Education.

Chicago Community College District Number 508. The replacement of underutilized properties with institutional and residential development may result in an increase in population within the Redevelopment Area. However, demand for educational services and programs provided by the community college district is not expected to increase significantly, as many new residents of the Redevelopment Area are likely to relocate from other areas within the jurisdiction of the Chicago Community College District 508. Therefore, no assistance is proposed for the Chicago Community College District Number 508.

City of Chicago Library Fund. The replacement of underutilized properties with institutional and residential development may result in an increase in population in the Redevelopment Area, which may increase demand for library facilities and services. A portion of Redevelopment Project Costs may be allocated to assist the Library Fund.

Chicago Park District. The replacement of underutilized properties with institutional and residential development may increase the population within the Redevelopment Area and subsequent demand for recreational services and programs provided by the Park District. A portion of Redevelopment Project Costs may be allocated to assist the Chicago Park District.

This proposed program to address increased demand for services or capital improvements provided by some or all of the impacted taxing districts is contingent upon: (i) the Redevelopment Projects occurring as anticipated in the Redevelopment Plan, (ii) the Redevelopment Projects resulting in demand for services sufficient to warrant the allocation of Redevelopment Project Costs, and (iii) the generation of sufficient incremental property taxes to pay for the Redevelopment Project Costs listed above. In the event that the Redevelopment Projects fail to materialize, or involves a different scale of development than that currently anticipated, the City may revise this proposed program to address increased demand, to the extent permitted by the Act, without amending this Redevelopment Plan.

### III.

#### *Amended Area Description.*

The Amended Area is located approximately ten (10) miles south of the central business district of Chicago, in the Chatham community area. The Amended Area is bounded by West 81<sup>st</sup> Street on the north, South Stewart Avenue on the east, the railroad right-of-way on the south and South Vincennes Avenue on the west. The boundaries of the Amended Area have been carefully established to include only those contiguous parcels of real property and improvements thereon substantially benefitted by the proposed redevelopment project improvements. In total, the Amended Area contains three (3) buildings on twenty-nine (29) tax parcels and consists of twenty-two and five-tenths (22.5) acres within two (2) legal blocks or portions thereof.

A legal description of the Amended Area is included in Appendix A of this document. Appendix A also includes a legal description of the Original Redevelopment Area and a legal description of the Chatham Ridge Redevelopment Area that contains both the Original Redevelopment Area and the Amended Area.

The Amended Area is contiguous to the Original Redevelopment Area and qualifies for designation as a "blighted area". The Amended Area includes only property which is anticipated to be substantially benefitted by the proposed redevelopment project improvements.

The Amended Area consists of: an industrial parcel with two (2) buildings, parking and storage areas; Simeon Career Academy, which is slated for replacement by the Board of Education of the City of Chicago; twenty-six (26) vacant tax parcels, located north of Simeon on the same block; and the adjacent rights-of-way. The Amended Area is zoned in a variety of residential, industrial and business zoning

districts. As described under Land-Use Plan in Section II above, the Amended Area is anticipated to be developed with industrial/mixed use south of West 83<sup>rd</sup> Street, and new institutional uses on the Simeon Career Academy site, consistent with the Future Land-Use Plan shown in Figure D, and subject to applicable zoning.

#### IV.

##### *Eligibility Of The Amended Area For Designations As A Blighted Area.*

The Amended Area on the whole has not been subject to growth and development through investment by private enterprise. Based on the conditions present, the Amended Area is not likely to be developed without the adoption of this Amendment.

##### Eligibility Factors.

An analysis was undertaken to establish whether the proposed Amended Area is eligible for designation as a blighted area in accordance with the requirements of the Act. Based on this analysis, the Amended Area so qualifies.

The Amended Area consists of an improved portion and a vacant portion. In the improved portion of the Amended Area, the blighted designation is based on the predominance and extent of parcels exhibiting the following characteristics:

1. dilapidation
2. deterioration of structures and surface improvements
3. obsolescence
4. presence of structures below minimum code standards
5. lack of ventilation, light, or sanitary facilities
6. lack of community planning
7. lag in growth of equalized assessed value

The vacant portion of the Amended Area is also eligible for designation as a blighted area based on the presence and distribution of:

1. obsolete platting
2. tax and special assessment delinquencies
3. deterioration of structures or site improvements in neighboring areas
4. lag in growth of equalized assessed value

Further, the vacant area qualified as a blighted improved area immediately prior to becoming vacant, which automatically qualifies the vacant area as a blighted area.

The Amended Area Eligibility Report (Appendix B) presents the specific findings regarding the eligibility of the Amended Area.

[Figure "C" referred to in this Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment Number 2 constitutes Exhibit "E" to the ordinance and is printed on page 81760 of this *Journal*.]

[Figures "A", "B" and "D" referred to in this Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment Number 2 printed on pages 81748 through 81750 of this *Journal*.]

Appendices "A", "B", "C" and "D" referred to in this Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment Number 2 read as follows:

*Appendix "A".*

(To Chatham Ridge Tax Increment Financing Redevelopment Plan And Project Amendment Number 2).

1. Legal Description Of Original Redevelopment Area.

Parcel I.

That part of the south 35.00 acres (except the east 304 feet as measured at right angles to the east line thereof) of the east half of the southeast quarter of Section 33, Township 39 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the following described line:

commencing at a point in the east line of the aforesaid southeast quarter that is 629.10 feet north of the southeast corner of the aforesaid Section 33; thence west in a line parallel to the south line of the aforesaid southeast quarter (being the north line of the south 300 feet of the north 25.00 acres of the said south 35 acres) to a point that is 450.00 feet east of the west line of the aforesaid east half of the southeast quarter; thence north on a line at a right angle to the last described line a distance of 51.5 feet; thence west on a line at a right angle to the last described line and parallel to the south line of the aforesaid southeast quarter a distance of 450.00 feet, more or less, to the west line of the east half of the southeast quarter of said Section 33, including that part falling in West 87<sup>th</sup> Street.

Parcel II.

That part of the northeast quarter and the east half of the northwest quarter of Section 4, Township 37 North, Range 14, East of the Third Principal Meridian in Cook County, Illinois lying northerly of the southerly line, and said southerly line extended, of West 87<sup>th</sup> Street, west of a line 304 feet (measured at right angles thereto) west of the east line of said northeast quarter section and east of the west line of South Parnell Avenue.

Parcel III.

That part of the west half of the southeast quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the south line, and said south line extended west, of Lots 4 and 14 in Seymour Estate Subdivision (a subdivision of the west half of the said southeast quarter) and including West 87<sup>th</sup> Street and South Holland Road falling within, excepting therefrom that portion of the above described land lying south and adjoining Lots 4 and 14 in said Seymour Estate Subdivision bounded as follows:

commencing on a point on the centerline of South Stewart Avenue extended southerly, which point is also on the southerly line of said Lot 4, extended westerly; thence easterly along said extended line and the southerly lines of said Lots 4 and 14, 815 feet, more or less; thence southerly at right angles to the last described line 125 feet, more or less; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, a distance of 500 feet; thence southerly on a line at right angles to the last described line, a distance of 625.00 feet; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, 312.50 feet, more or less, to a point on the easterly boundary line of the C. & W.I. Railroad right-of-way; thence northwesterly along said line until intersecting with the line of the centerline of South Stewart Avenue extended southerly; thence northerly until reaching the point of beginning.

#### Parcel IV.

That part of the east half of the west half of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois lying southwesterly of the northerly line of West 83<sup>rd</sup> Street, and said northerly line extended northwesterly to the westerly line of South Vincennes Avenue and southeasterly of the westerly line of South Vincennes Avenue, excepting thereof those parts falling in Blocks 1 and 3 of William O. Cole's South Englewood Park Subdivision, a subdivision of that part of South Englewood known on the original plat as Steven A. Newman's private grounds in the east half of the southwest quarter of said section recorded September 11, 1873, Book 5, page 99 and Block 17 of the plat of part of South Englewood, a subdivision of that portion of said section, which lies west and southwest of Holland Settlement Road and south and southeast of South Vincennes Avenue and east of the centerline of the C.R.I. & P.R.R. recorded January 16, 1873, Book 3, page 80, and those parts of West 85<sup>th</sup> Street, West 86<sup>th</sup> Street and West 87<sup>th</sup> Street which lie west of the west line, and said west line extended, of South Parnell Avenue including those parts falling in West 83<sup>rd</sup> Street, West 84<sup>th</sup> Street, West 87<sup>th</sup> Street and South Vincennes Avenue, and including all those other streets and alleys, dedicated or otherwise, falling within said land or which may revert to the public in the future, but excepting therefrom the parcel of land bounded as follows: by the easterly boundary line of the C. & W.I. Railroad right-of-way, the northerly line of South Vincennes Avenue, the northerly line of West 83<sup>rd</sup> Street and the westerly line of South Stewart Avenue (consisting of approximately 8.2206 acres, more or less).

#### 2. Legal Description Of Amended Area.

That part of the east half of the northwest quarter, west half of the northeast quarter, west half of the southeast quarter and east half of the southwest quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, described as follows:

beginning at a point in the easterly boundary line of the C. & W.I. Railroad right-of-way, said point being 25.00 feet northwesterly of the original southeasterly line of South Vincennes Avenue in the east half of the northwest quarter of said Section 33, said point also being 974.79 feet northeasterly (as measured along said 25.00 feet northwesterly of the original southeasterly line of South Vincennes Avenue) of the north line of West 84<sup>th</sup> Street; thence southeasterly along said easterly boundary line of C. & W.I. Railroad, a distance of 1,395.39 feet to a deflection point; thence southeasterly by making an angle of 171 degrees, 52 minutes, 35 seconds to the right (as measured from northwest to southeast) a distance of 33.26 feet; thence east along a line perpendicular to the east line of South Stewart Avenue to the east line (as widened) of said South Stewart Avenue; thence north along said east line (as widened) of South Stewart Avenue, a distance of 100.00 feet; thence west 13.00 feet to the original east line of said South Stewart Avenue; thence north along said original east line of South Stewart Avenue to the south line of West 83<sup>rd</sup> Street; thence continuing north across said West 83<sup>rd</sup> Street to the intersection of the north line of said West 83<sup>rd</sup> Street and the east line of South Stewart Avenue; thence north along said east line of South Stewart Avenue to the north line of West 81<sup>st</sup> Street; thence west along the north line (extended east and west) of said West 81<sup>st</sup> Street to the westerly line of South Vincennes Avenue; thence southerly along the westerly line of said South Vincennes Avenue to a deflection point (south of West 82<sup>nd</sup> Place); thence southwesterly along the southwesterly line of said South Vincennes Avenue to the north line of 16 foot wide public alley (north of West 83<sup>rd</sup> Street); thence southeasterly across South Vincennes Avenue to the point of beginning, all in Cook County, Illinois.

### 3. Legal Description Of Chatham Ridge Redevelopment Area.

#### Parcel I.

That part of the south 35.00 acres (except the east 304 feet as measured at right angles to the east line thereof) of the east half of the southeast quarter of Section 33, Township 39 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the following described line:

commencing at a point in the east line of the aforesaid southeast quarter that is 629.10 feet north of the southeast corner of the aforesaid Section 33; thence west in a line parallel to the south line of the aforesaid southeast quarter (being the north line of the south 300 feet of the north 25.00 acres of the said south 35 acres) to a point that is 450.00 feet east of the west line of the aforesaid east half of the southeast quarter; thence north on a line at a right angle to the last described line a distance of 51.5 feet; thence west on a line at a right angle to the last described line and parallel to the south line of the aforesaid southeast quarter a distance of 450.00 feet, more or less, to the west line of the east half of the southeast quarter of said Section 33, including that part falling in

West 87<sup>th</sup> Street.

Parcel II.

That part of the northeast quarter and the east half of the northwest quarter of Section 4, Township 37 North, Range 14, East of the Third Principal Meridian in Cook County, Illinois lying northerly of the southerly line, and said southerly line extended, of West 87<sup>th</sup> Street, west of a line 304 feet (measured at right angles thereto) west of the east line of said northeast quarter section and east of the west line of South Parnell Avenue.

Parcel III.

That part of the west half of the southeast quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the south line, and said south line extended west, of Lots 4 and 14 in Seymour Estate Subdivision (a subdivision of the west half of the said southeast quarter) and including West 87<sup>th</sup> Street and South Holland Road falling within, excepting therefrom that portion of the above described land lying south and adjoining Lots 4 and 14 in said Seymour Estate Subdivision bounded as follows:

commencing on a point on the centerline of South Stewart Avenue extended southerly, which point is also on the southerly line of said Lot 4, extended westerly; thence easterly along said extended line and the southerly lines of said Lots 4 and 14, 815 feet, more or less; thence southerly at right angles to the last described line 125 feet, more or less; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, a distance of 500 feet; thence southerly on a line at right angles to the last described line, a distance of 625.00 feet; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, 312.50 feet, more or less, to a point on the easterly boundary line of the C. & W.I. Railroad right-of-way; thence northwesterly along said line until intersecting with the line of the centerline of South Stewart Avenue extended southerly; thence northerly until reaching the point of beginning.

Parcel IV.

That part of the east half of the west half of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois lying southwestwardly of the northerly line of 83<sup>rd</sup> Street, and said northerly line extended northwesterly to the westerly line of South Vincennes Avenue and southeasterly of the westerly line of South Vincennes Avenue, excepting thereof those parts falling in Blocks 1 and 3 of William O. Cole's South Englewood Park Subdivision, a subdivision of that part of South Englewood known on the original plat as

Steven A. Newman's private grounds in the east half of the southwest quarter of said section recorded September 11, 1873, Book 5, page 99 and Block 17 of the plat of part of South Englewood, a subdivision of that portion of said section, which lies west and southwest of Holland Settlement Road and south and southeast of South Vincennes Avenue and east of the centerline of the C.R.I. & P.R.R. recorded January 16, 1873, Book 3, page 80, and those parts of 85<sup>th</sup> Street, 86<sup>th</sup> Street and 87<sup>th</sup> Street which lie west of the west line, and said west line extended, of South Parnell Avenue including those parts falling in 83<sup>rd</sup> Street, 84<sup>th</sup> Street, 87<sup>th</sup> Street and South Vincennes Avenue, and including all those other streets and alleys, dedicated or otherwise, falling within said land or which may revert to the public in the future; but excepting therefrom the parcel of land bounded as follows: by the easterly boundary line of the C. & W.I. Railroad right-of-way, the northerly line of South Vincennes Avenue, the northerly line of West 83<sup>rd</sup> Street and the westerly line of South Stewart Avenue, (consisting of approximately 8.2206 acres, more or less).

Parcel V.

That part of the east half of the northwest quarter, west half of the northeast quarter, west half of the southeast quarter and east half of the southwest quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, described as follows:

beginning at a point in the easterly boundary line of the C. & W.I. Railroad right-of-way, said point being 25.00 feet northwesterly of the original southeasterly line of South Vincennes Avenue in the east half of the northwest quarter of said Section 33, said point also being 974.79 feet northeasterly (as measured along said 25.00 feet northwesterly of the original southeasterly line of South Vincennes Avenue) of the north line of West 84<sup>th</sup> Street; thence southeasterly along said easterly boundary line of C. & W.I. Railroad, a distance of 1,395.39 feet to a deflection point; thence southeasterly by making an angle of 171 degrees, 52 minutes, 35 seconds to the right (as measured from northwest to southeast) a distance of 33.26 feet; thence east along a line perpendicular to the east line of South Stewart Avenue to the east line (as widened) of said South Stewart Avenue; thence north along said east line (as widened) of South Stewart Avenue a distance of 100.00 feet; thence west 13.00 feet to the original east line of said South Stewart Avenue; thence north along said original east line of South Stewart Avenue to the south line of West 83<sup>rd</sup> Street; thence continuing north across said West 83<sup>rd</sup> Street to the intersection of north line of said West 83<sup>rd</sup> Street and the east line of South Stewart Avenue; thence north along said east line of South Stewart Avenue to the north line of West 81<sup>st</sup> Street; thence west along the north line (extended east and west) of said West 81<sup>st</sup> Street to the westerly line of South Vincennes Avenue; thence southerly along the westerly line of said South Vincennes Avenue to a deflection point (south of West 82<sup>nd</sup> Place); thence southwesterly along the southwesterly line of said South

Vincennes Avenue to the north line of 16 foot wide public alley, (north of West 83<sup>rd</sup> Street); thence southeasterly across South Vincennes Avenue to the point of beginning, all in Cook County, Illinois.

*Appendix "B".*

(To Chatham Ridge Tax Increment Financing Redevelopment  
Plan And Project Amendment Number 2)

*Eligibility Study.*

*Introduction.*

The Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11 - 74.4 - 1, et seq., as amended (the "Act"), stipulates specific procedures which must be adhered to in designating a redevelopment Amended Area. A redevelopment Amended Area is defined as:

"... an area designated by the municipality, which is not less in the aggregate than one and one-half (1½) acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as an industrial park conservation area or a blighted area or a conservation area, or a combination of both blighted areas and conservation areas" (65 ILCS 5/11-74.4-3(p)).

Section 5/11-74.4-3(b) defines a "blighted area" as:

"...any improved or vacant area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where:

- (1) If improved, industrial, commercial, and residential buildings or improvements are detrimental to the public safety, health, or welfare because of a combination of five (5) or more of the following factors, each of which is (i) present, with that presence documented, to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the Act and (ii) reasonably distributed throughout the improved part of the redevelopment project area: Dilapidation...; Obsolescence...; Deterioration ...; Presence of structures below minimum code standards...; Illegal use of individual structures...; Excessive vacancies...; Lack of ventilation, light, or sanitary facilities...; Inadequate utilities...; Excessive land coverage and

overcrowding of structures and community facilities...; Deleterious land-use or layout...; Lack of community planning...; Environmental clean-up; and Decline or lagging rate of growth in equalized assessed value.

(2) If vacant, the sound growth of the redevelopment project area is impaired by a combination of two (2) or more of the following factors, each of which is (i) present, with that presence documented, to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the Act and (ii) reasonably distributed throughout the vacant part of the redevelopment project area to which it pertains:

- (A) Obsolete platting of vacant land...
- (B) Diversity of ownership of parcels of vacant land...
- (C) Tax and special assessment delinquencies exist or the property has been the subject of tax sales under the Property Tax Code...
- (D) Deterioration of structures or site improvements in neighboring areas adjacent to the vacant land.
- (E) ...environmental remediation...
- (F) ...decline or lag in equalized assessed value...

(3) If vacant, the sound growth of the redevelopment project area is impaired by one of the following factors that (i) is present, with that presence documented, to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the Act, and (ii) is reasonably distributed throughout the vacant part of the redevelopment project area to which it pertains:

- (A) The area consists of one (1) or more unused quarries, mines or strip mine ponds.
- (B) The area consists of unused railyards, rail tracks or railroad rights-of-way.
- (C) The area, prior to its designation, is subject to chronic flooding that adversely impacts on real property in the area as certified by a registered professional engineer or appropriate regulatory agency.
- (D) The area consists of an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction, demolition, excavation or dredge sites.

- (E) Prior to the effective date of this amendatory Act of the 91<sup>st</sup> General Assembly, the area is not less than fifty (50) nor more than one hundred (100) acres and seventy-five percent (75%) of which is vacant (notwithstanding that the area has been used for commercial agricultural purposes within five (5) years prior to the designation of the redevelopment project area), and the area meets at least one (1) of the factors itemized in paragraph (1) of this subsection, the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.
- (F) The area qualified as a blighted improved area immediately prior to becoming vacant, unless there has been substantial private investment in the immediately surrounding area”.

Determination of eligibility of the Chatham Ridge Amended Area (the “Amended Area”) for tax increment financing is based on a comparison of data gathered through field observation, document and archival research, and information provided by Cook County, the City of Chicago (the “City”), and the Board of Education of the City of Chicago, against the eligibility criteria set forth in the Act. The eligibility criteria identified as part of the Act are the basis for the evaluation.

Teska Associates, Inc. (“Teska”) has prepared this report with the understanding that the City would rely on: (i) the findings and conclusions of this report in proceeding with the designation of the Amended Area as a Redevelopment Area under the Act; and (ii) the fact that Teska has obtained the necessary information to conclude that the Amended Area can be designated as a Redevelopment Area as defined by the Act.

The Amended Area is eligible for designation as a “blighted area”. In the improved portion of the Amended Area, this designation is based on the predominance and extent of parcels exhibiting the following characteristics: dilapidation, deterioration of structures and surface improvements, obsolescence, presence of structures below minimum code standards, lack of ventilation, light or sanitary facilities, lack of community planning, and lag in growth of equalized assessed value. The vacant portion of the Amended Area is also eligible for designation as a blighted area based on the presence and distribution of obsolete platting, tax and special assessment delinquencies, deterioration of structures or site improvements in neighboring areas, lag in growth of equalized assessed value, and the status as a blighted improved area immediately prior to becoming vacant.

*Description Of The Amended Area.*

The Amended Area is located approximately ten (10) miles south of the central business district of Chicago, in the Chatham community area. The Amended Area is bounded by West 81<sup>st</sup> Street on the north, South Stewart Avenue on the east, the railroad right-of-way on the south, and South Vincennes Avenue on the west. The boundaries of the Amended Area have been carefully established to include only those contiguous parcels of real property and improvements thereon substantially benefitted by the proposed redevelopment project improvements. In total, the Amended Area contains three (3) buildings on twenty-nine (29) tax parcels, and consists of twenty-two and five-tenths (22.5) acres within two (2) legal blocks or portions thereof.

The Amended Area includes an Improved Area and a Vacant Area as described herein and on Figure 1. The Improved Area includes three (3) tax parcels. One (1) parcel contains Simeon Career Academy ("Simeon"), which is slated for replacement by the Board of Education of the City of Chicago. The second (2<sup>nd</sup>) parcel contains two (2) buildings, parking, and storage areas for an industrial enterprise. The third (3<sup>rd</sup>) parcel contains a portion of the improved West 83<sup>rd</sup> Street right-of-way. The Vacant Area includes twenty-six (26) vacant tax parcels, located north of Simeon on the same block. For the purposes of defining eligibility under the Act, the Improved Area and the Vacant Area are treated separately.

Figure 1 illustrates the Amended Area, the Improved Area and the Vacant Area.

*Eligibility Findings For The Improved Area.*

Teska, in association with Mann Gin Dubin and Frazier, conducted a field survey of the subject properties in October, 2001. Based on an inspection of the improvements and grounds, field notes were taken which recorded the condition of each parcel. Photographs further documented the observed conditions. Additional research was gathered from the Cook County Treasurer's Office, the City Department of Buildings, the Board of Education of the City of Chicago, and the New Construction Managing Architect for Simeon (OWP & P Architects, Inc.).

The Improved Area was reviewed against the criteria for improved properties set forth in the Act. In order to be designated as a blighted area, at least five (5) of the blighting factors must be present to a meaningful extent and reasonably distributed throughout the Improved Area.

### Dilapidation.

Dilapidation refers to an advanced state of disrepair or neglect of necessary repairs to the primary structural components of buildings or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.

As outlined in its Capital Improvement Program, the Board of Education of the City of Chicago has determined that the existing Simeon building is in such a state of disrepair that the building must be replaced. Specifically, problems have been identified with the exterior masonry walls, windows, roofing, lockers, mechanical systems and controls, lighting, and electrical systems. Many of these problems may result from the fact that the building was originally constructed as a factory and was later converted to a school. The extent of required repairs and defects are such that the building must be removed, and therefore this building qualifies as dilapidated. Owing to the size, visibility, and importance of the school in the community, dilapidation contributes to the designation of the Improved Area (see Figure 2).

### Deterioration.

With respect to buildings, deterioration refers to defects including, but not limited to, major defects in the secondary building components such as doors, windows, porches, gutters and downspouts, and fascia. The field survey found that all three (3) of the three (3) buildings in the Improved Area (one hundred percent (100%)) are characterized by deterioration. Evidence of such deterioration includes broken windows, damaged loading docks, and deteriorated brick walls. In all three (3) buildings, the age of the buildings (for example, the majority of the Simeon facility was built in 1928) may have contributed to the difficulty and expense of repairing deteriorated building components. Deterioration is highly visible from public rights-of-way and contributes to a negative image of the Improved Area.

With respect to surface improvements, the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking, and surface storage areas may evidence deterioration, including, but not limited to, surface cracking, crumbling, potholes, depressions, loose paving material, and weeds protruding through paved surfaces. Deterioration of surface improvements is found on all three (3) of the three (3) parcels in the Improved Area (one hundred percent (100%)), generally due to the poor condition of paved parking areas and sidewalks.

The extent and widespread distribution of deterioration, both of buildings and surface improvements, has a powerful negative effect upon neighboring properties. The Board of Education of the City of Chicago report "State of the Buildings"

acknowledges this relationship, noting that in locations where schools have been improved, "C.P.S. has gone from having the worst looking building on the blocks to being one of the nicest facilities on the block. The result has been a genuine spread of neighborhood pride that inspires homeowners to upgrade and maintain their property, thus increasing property values in neighborhoods through the city." Conversely, when buildings or improvements on adjacent properties are in a declining state, a property owner has less incentive to maintain or improve his or her own property. Therefore, deterioration is a contributing factor towards designation as a blighted area (see Figure 3).

#### Obsolescence.

Obsolescence is the condition or process of falling into disuse. Obsolete structures have become ill-suited for the original use.

The need for replacement of the Simeon facility strongly suggests that the school building is obsolete in relation to modern standards. First, the building was initially constructed in 1928 as an industrial/warehouse building, and was later converted to educational use. Given that the building was not constructed for educational use, the size and configuration of the classrooms and corridors do not meet modern standards used by Board of Education of the City of Chicago. Further, outdated electrical systems cannot support the need for computers in classrooms, libraries, and labs. More importantly, Simeon is a vocational career academy, one (1) of twelve (12) Chicago schools with intensified resources to prepare students for careers in numerous fields. Simeon specializes in Business/Finance, Communications, Construction, Cosmetology, Hospitality, Manufacturing, Performing Arts and Transportation. These specialized programs require up-to-date facilities and equipment which cannot be accommodated in the existing building.

Again, owing to the size, visibility and importance of Simeon in the community, obsolescence contributes towards the designation of the Improved Area as a blighted area (see Figure 4).

#### Presence Of Structures Below Minimum Code Standards.

Structures below minimum code standards include all structures that do not meet the standards of zoning, subdivision, building, fire, and other governmental codes applicable to property, but not including housing and property maintenance codes.

According to information provided by the Department of Buildings of the City of Chicago, Simeon has been the subject of a variety of code violations, many of which remained outstanding at the time of data collection. Many of these citations are related to the boiler and electrical systems. Simeon has an enrollment exceeding one thousand three hundred (1,300) students. In combination with staff, this results in a large number of persons potentially affected by the violations and the corresponding safety and comfort issues. Therefore, the extent and distribution of code violations contribute to the designation of the Improved Area (see Figure 5).

#### Illegal Use Of Individual Structures.

Illegal use of individual structures refers to the use of structures in violation of applicable federal, state, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

The exterior field survey conducted by Teska did not find any uses in violation of local, state or federal regulations. This factor does not contribute to the designation as a blighted area.

#### Excessive Vacancies.

Excessive vacancies refers to the presence of buildings that are unoccupied or underutilized and that represent an adverse influence on the area because of the frequency, extent, or duration of the vacancies.

All three (3) buildings in the Improved Area are occupied. Therefore, this factor does not contribute towards the designation of the Improved Area.

#### Lack Of Ventilation, Light Or Sanitary Facilities.

Inadequate ventilation is characterized by the absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke, or other noxious airborne materials. Inadequate natural light and ventilation means the absence or inadequacy of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens, and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

The "State of the Buildings" report of the Board of Education of the City of Chicago indicates that clouded polycarbonate windows "prevent students and staff

from enjoying daylight and the ability to see outside during school hours. This closed in condition can affect students' academic performance". Simeon contains such windows. In addition, information provided by OWP & P Architects, Inc. indicates that classroom and corridor lighting systems are below standard. Further, both Simeon and the industrial buildings may be characterized by inadequate ventilation(three (3) of three (3) buildings in the Improved Area, or one hundred percent (100%). Despite very cold temperatures on the day of the field survey, windows throughout these buildings were open, suggesting that interior spaces have inadequate ventilation. Therefore, this factor contributes to the designation of the Improved Area (see Figure 6).

#### Inadequate Utilities.

This factor relates to all underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines, and gas, telephone, and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the Redevelopment Area, (ii) deteriorated, antiquated, obsolete, or in disrepair, or (iii) lacking within the Redevelopment Area.

According to information provided by the City, inadequate utilities is not a factor in the designation of the Improved Area as a blighted area.

#### Excessive Land Coverage And Overcrowding Of Structures And Community Facilities.

This factor relates to the over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as one exhibiting excessive land coverage are: the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one (1) or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking, or inadequate provision for loading and service.

None of the three (3) properties in the Improved Area are characterized by excessive coverage. This factor does not make a contribution to the designation or the Improved Area as a blighted area.

#### Deleterious Land-Use Or Layout.

Deleterious land uses include the existence of incompatible land-use relationships, buildings occupied by inappropriate mixed uses, or uses considered to be noxious, offensive or unsuitable for the surrounding area.

None of the three (3) parcels in the Improved Area display deleterious land-uses or layouts. Deleterious land-use or layout does not contribute to the designation of the Improved Area as a blighted area.

#### Lack Of Community Planning.

Lack of community planning occurs when the proposed Redevelopment Area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards, or other evidence demonstrating an absence of effective community planning.

The Improved Area, and indeed much of the city, was developed without the guidance of a comprehensive plan. This lack of planning has resulted in unusual platting, including the parcel located in the middle of the paved area of West 83<sup>rd</sup> Street, and the odd triangular shape of the industrial site (making the use and future redevelopment of this site difficult). Therefore, lack of community planning contributes to the designation of the Improved Area as a blighted area (see Figure 7).

#### Environmental Clean-Up.

This factor is relevant when the area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by state or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the Redevelopment Area.

A documented need for environmental clean-up was not found for any of the properties in the Improved Area. Therefore, environmental clean-up does not contribute to the designation of the Improved Area as a blighted area.

#### Decline In Equalized Assessed Value.

This factor can be cited if the total equalized assessed value of the proposed Redevelopment Area has declined for three (3) of the last five (5) calendar years for which information is available; or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years for which information is available; or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers (C.P.I.) published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years for which information is available.

The table below illustrates the change in the Equalized Assessed Value (E.A.V.) of the Improved Area during the past five (5) calendar years. Since Simeon and the 83<sup>rd</sup> Street right-of-way are exempt from property taxes, the E.A.V. of the Improved Area reflects the value of the industrial facility lying at the south end of the Improved Area.

Table B-1.

#### History Of Equalized Assessed Value Of Improved Area.

	2000	1999	1998	1997	1996	1995
Total Equalized Assessed Value of Improved Area	1,110,076	837,179	810,916	799,384	860,871	849,712
Percent Change in EAV from Prior Year in Improved Area	32.60%	3.24%	1.44%	-7.14%	1.31%	-
Equalized Assessed Value of City of Chicago (Excluding Improved Area)	44,436,008,724	38,447,235,403	37,218,029,297	36,098,060,675	33,455,834,915	33,099,585,600
Percent Change in City EAV from Prior Year	15.58%	3.30%	3.10%	7.90%	1.08%	-
CPI for All Urban Consumers	3.40%	2.20%	1.60%	2.30%	3.00%	-

2000 and 1997 were reassessment years in Lake Township, in which the Improved Area is located. In the absence of a property sale, building permit activity, demolition, et cetera, a property in Cook County is reassessed only once every three (3) years. Therefore, the unusual increase in E.A.V. in 2000 can be expected, as the assessor attempts to account for natural inflation to property values that has not been accounted for in the years since the last reassessment. By contrast, the decrease in E.A.V. in 1997 reflects an explicit decrease in value.

The Improved Area lagged behind the surrounding city as a whole in three (3) of the last five (5) years. The E.A.V. of the Improved Area declined in 1997, while the E.A.V. of the balance of Chicago was increasing. In addition, although the E.A.V. of the Improved Area did increase in 1998 and 1999, the growth lagged that of the balance of the city. Relative to the surroundings, the Improved Area has not experienced appropriate growth in the tax base or shown evidence of private investment which increases the value of properties.

Finally, the percent change in E.A.V. of the Improved Area was less than the C.P.I. for All Urban Consumers in 1996 and 1998, and the Improved Area experienced a negative rate of growth in 1997 even as the C.P.I. was positive. Based on this evidence, decline in E.A.V. is a contributing factor toward the designation of the Improved Area as a blighted area.

#### *Eligibility Findings For The Vacant Area.*

The Vacant Area was reviewed against the criteria for vacant properties set forth in the Act. In order to be designated as a blighted area, at least two (2) of the blighting factors must be present to a meaningful extent and reasonably distributed throughout the Improved Area. Alternatively, at least one (1) of the self-evident blighting factors must be present.

#### *Obsolete Platting.*

Obsolete platting of vacant land results in parcels of limited or narrow size, or configurations of parcels of irregular size or shape that would be difficult to develop on a planned basis and in a manner compatible with contemporary

standards and requirements, or platting that failed to create rights-of-way for streets or alleys or that created inadequate right-of-way widths for streets, alleys, or other public rights-of-way or that omitted easements for public utilities.

All twenty-six (26) parcels in the Vacant Area are characterized by obsolete platting. Although all are located within one (1) block, these parcels were platted as part of several different subdivisions, resulting in a variety of lot sizes, shapes, and widths. Two (2) disconnected alley segments are located in the middle of the block. One parcel is only fifteen (15) feet wide, and one has no access to a public right-of-way. These conditions indicate that obsolete platting contributes to the designation of the Vacant Area as a blighted area (see Figure 8).

#### Diversity Of Ownership.

This factor can be cited if there is diversity of ownership of parcels of vacant land sufficient in number to retard or impede the ability to assemble the land for development.

Although the twenty-six (26) parcels in the Vacant Area were held by a diversity of owners until recently, twenty-two (22) of the properties are now owned by the Board of Education of the City of Chicago (in preparation for the expansion of Simeon). As of October, 2001, the title search indicated that only four (4) properties were owned by entities other than the Board of Education. Therefore, although diversity of ownership may once have been problematic for the Vacant Area, this factor does not currently contribute to the designation of the Vacant Area.

#### Tax And Special Delinquencies.

This factor may be cited if tax and special assessment delinquencies exist, or the property has been the subject of tax sales under the Property Tax Code within the last five (5) years. Nearly one (1) of every five (5) properties in the Vacant Area (five (5) of twenty-six (26), or nineteen percent (19%)) were listed as tax delinquent in October, 2001. This high rate of tax delinquency contributes to the designation of the Vacant Area as a blighted area (see Figure 9).

#### Deterioration Of Neighboring Areas.

This factor can be cited if there is evidence of deterioration of structures or site improvements in neighboring areas adjacent to the vacant land.

As described under Deterioration (in the Eligibility Findings for the Improved Area section) above, the adjacent Improved Area is deteriorated. This deterioration occurs with respect to structures and site improvements.

Further, the buildings located around the Vacant Area but outside the Amended Area are also deteriorated. To the east, there are nineteen (19) single family homes facing South Stewart Avenue across from the Vacant Area. There are also sixteen (16) garages on these properties, for a total of thirty-five (35) structures. Nine (9) of these structures, or twenty-six percent (26%), are deteriorated. Across South Vincennes Avenue to the west from the Vacant Area, nine (9) of nine (9) single- family homes (one hundred percent (100%)) are deteriorated, and four (4) of four (4) vacant lots (one hundred percent (100%)) show deteriorated sidewalks, overgrown vegetation and are generally unsightly.

In light of the widespread deterioration of the adjacent properties, this factor contributes to the designation of the Vacant Area as a blighted area (see Figure 10).

#### Environmental Clean-Up.

This factor can be cited if the area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by state or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

A documented need for environmental clean-up was not found for any of the properties in the Vacant Area. Therefore, environmental clean-up does not contribute to the designation of the Vacant Area as a blighted area.

#### Lag In Growth Of Equalized Assessed Value.

This factor can be cited if the total equalized assessed value of the proposed Redevelopment Area has declined for three (3) of the last five (5) calendar years for which information is available; or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years for

which information is available; or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers (C.P.I.) published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years for which information is available.

The table below illustrates the change in the Equalized Assessed Value (E.A.V.) of the Vacant Area during the past five (5) calendar years.

Table B-2.

History Of Equalized Assessed  
Value Of Vacant Area.

	2000	1999	1998	1997	1996	1995
Total Equalized Assessed Value of Vacant Area	34,311	213,795	207,088	195,060	179,125	179,053
Percent Change in EAV from Prior Year in Vacant Area	-83.95%	3.24%	6.17%	8.90%	0.04%	-
Equalized Assessed Value of City of Chicago (Excluding Vacant Area)	44,437,084,489	38,447,858,787	37,218,633,125	36,098,664,999	33,456,516,661	33,100,256,259
Percent Change in City EAV from Prior Year	15.58%	3.30%	3.10%	7.90%	1.08%	-
CPI for All Urban Consumers	3.40%	2.20%	1.60%	2.30%	3.00%	-

The E.A.V. of the Vacant Area dropped dramatically in 2000. In addition, the growth of the E.A.V. of the Vacant Area lagged that of the balance of the city in 1996 and 1999, and fell in 2000 even as the city E.A.V. increased. This meets the statutory requirement for lag in growth of E.A.V. such that this factor contributes to the designation of the Vacant Area.

Of course, the large decline in 2000 E.A.V. is primarily due to the purchase of most of the properties by the Board of Education of the City of Chicago. As a result, these properties have become exempt from property taxes, which reduces the E.A.V. to zero (0). However, there is evidence to suggest that the change to exempt status is not the only cause of declining E.A.V. in the Vacant Area. Specifically, there are seven (7) properties which are not yet classified as exempt in 2000. In 1999, the E.A.V. of these seven (7) properties was Forty-one Thousand Seven Hundred Six Dollars (\$41,706). The 2000 E.A.V. of these properties is Thirty-four Thousand Three Hundred Eleven Dollars (\$34,311), which corresponds to a decline of eighteen percent (18%). Further, there is significant evidence to suggest that in this case, the value of the Vacant Area would have declined or lagged that of the city even without the exempt status, owing to the previous blighted nature of the area (see Previously Blighted section, below).

Finally, the percent change in E.A.V. of the Vacant Area was less than the C.P.I. for All Urban Consumers in 1996, and the Vacant Area experienced a negative rate of growth in 2000 even as the C.P.I. was positive. Based on this evidence, lag in growth of E.A.V. is a contributing factor toward the designation of the Vacant Area as a blighted area.

#### Previously Blighted.

A vacant area will qualify as blighted if the area qualified as a blighted improved area immediately prior to becoming vacant, unless there has been substantial private investment in the immediately surrounding area.

The Vacant Area has recently been purchased by the Board of Education of the City of Chicago, and all structures in the area were cleared to make way for an expansion of Simeon. Prior to this demolition, a Plat of Survey was prepared by HOH Architects. The Plat indicates there were twenty-six (26) structures (including twenty (20) one (1) and two (2) story buildings, mostly single- and multi-family homes, and six (6) garages) in the Vacant Area. Although these buildings were not surveyed regarding eligibility prior to demolition, evidence suggests that they were blighted:

- a. Age. Information from the Cook County Assessor's office indicates that these structures were all greater than thirty-five (35) years of age, including two (2) structures which were one hundred thirty-two (132) years old. These ages are consistent with the existing structures on adjacent blocks. Such advanced age is often highly correlated with

dilapidation, deterioration, code violations, vacancy, and other blighting factors. As buildings age, the likelihood of structural and other problems increases, and the cost to repair such problems also increases.

- b. **Dilapidation And Deterioration.** Photographs available from the Cook County Assessor's office show eight (8) of the twenty (20) primary buildings prior to demolition. At least five (5) are clearly dilapidated in these photos, and the remaining three (3) are severely deteriorated. Given that the E.A.V.s of these eight (8) properties over the last five (5) years are very similar to the E.A.V.s of the other properties in the Vacant Area, it is reasonable to assume that the other buildings in the Vacant Area were similarly dilapidated and deteriorated.
- c. **Code Violations.** Information on building code violations during the five (5) year period from October, 1996 through October, 2001 was provided by the City of Chicago Department of Buildings. During this period, six (6) of the twenty (20) primary structures (thirty percent (30%)) were cited for code violations. Examples of citations include broken window panes and rotted window frames; rat, mice and roach infestations; water leakage; lack of hot and cold water; defective electrical switches and receptacles; exposed wiring; unsafe building condition requiring demolition; and so on. The nature and extent of the code violations reinforces the supposition that most of these buildings were in extremely poor physical condition.
- d. **Vacancy.** The 2000 Census, prepared by the United States Bureau of the Census, provides information regarding the number of housing units and the population of the Vacant Area. Block 4011 of Census Tract 4404 in Cook County has the same boundaries as the Vacant Area. In April, 2000, there were twenty-five (25) housing units in the Vacant Area, and twenty-four (24) of those units (ninety six percent (96%)) were vacant.
- e. **E.A.V. Lag.** As described above, the E.A.V. of the Vacant Area has lagged that of the balance of Chicago in three (3) of the past five (5) calendar years for which information is available. This holds true even for properties which were not re-classified as exempt (which results in a reduction of E.A.V. to zero (0)). The lag in growth of E.A.V. suggests that the Vacant Area has not been subject to private investment which would reduce the presence of blighted or deteriorated conditions.

- f. Lack Of Investment As Shown By Building Permit Data. Information on building permits issued during the five (5) year period from October, 1996 through October, 2001 was provided by the City of Chicago Department of Buildings. Seventeen (17) demolition permits were issued in this time period. Despite the poor physical condition of many of the buildings, and the high incidence of code violations, the Department of Buildings issued only three (3) building permits representing any type of investment. All three (3) permits were for repair of deteriorated building components such as roof, porch, windows and doors, and only two (2) parcels were involved.

Although the buildings were not surveyed for eligibility prior to demolition, the above information provides strong evidence that the Vacant Area was blighted prior to becoming vacant. Further, as shown by the deterioration of adjacent areas and the lag in growth of E.A.V. in the adjacent Improved Area, there has not been substantial private investment in the immediately surrounding area. Therefore, the Vacant Area qualifies as blighted.

*Conclusion.*

Based on the findings contained herein, the Amended Area as a whole qualifies as a blighted area according to the criteria established by the Act. In the Improved Area of the Amended Area, this designation is based on the predominance and extent of parcels exhibiting the following characteristics:

1. Dilapidation (thirty-three percent (33%) of buildings).
2. Deterioration of structures (one hundred percent (100%) of buildings) and surface improvements (one hundred percent (100%) of parcels).
3. Obsolescence (thirty-three percent (33%) of buildings).
4. Presence of structures below minimum code standards (thirty-three percent (33%) of buildings).
5. Lack of light, ventilation, or sanitary facilities (one hundred percent (100%) of buildings).

6. Lack of community planning (one hundred percent (100%) of parcels).
7. Lag in growth of equalized assessed value (three (3) of last five (5) calendar years).

In the Vacant Area of the Amended Area, the designation as a blighted area is based on the predominance and extent of parcels exhibiting the following characteristics:

1. Obsolete platting (one hundred percent (100%)).
2. Tax or special assessment delinquencies (nineteen percent (19%)).
3. Deterioration of neighboring areas (both the Improved Area and the properties to the east and west).
4. Lag in growth of equalized assessed value (three (3) of last five (5) calendar years).

Further, the Vacant Area qualifies as blighted due to the following characteristic:

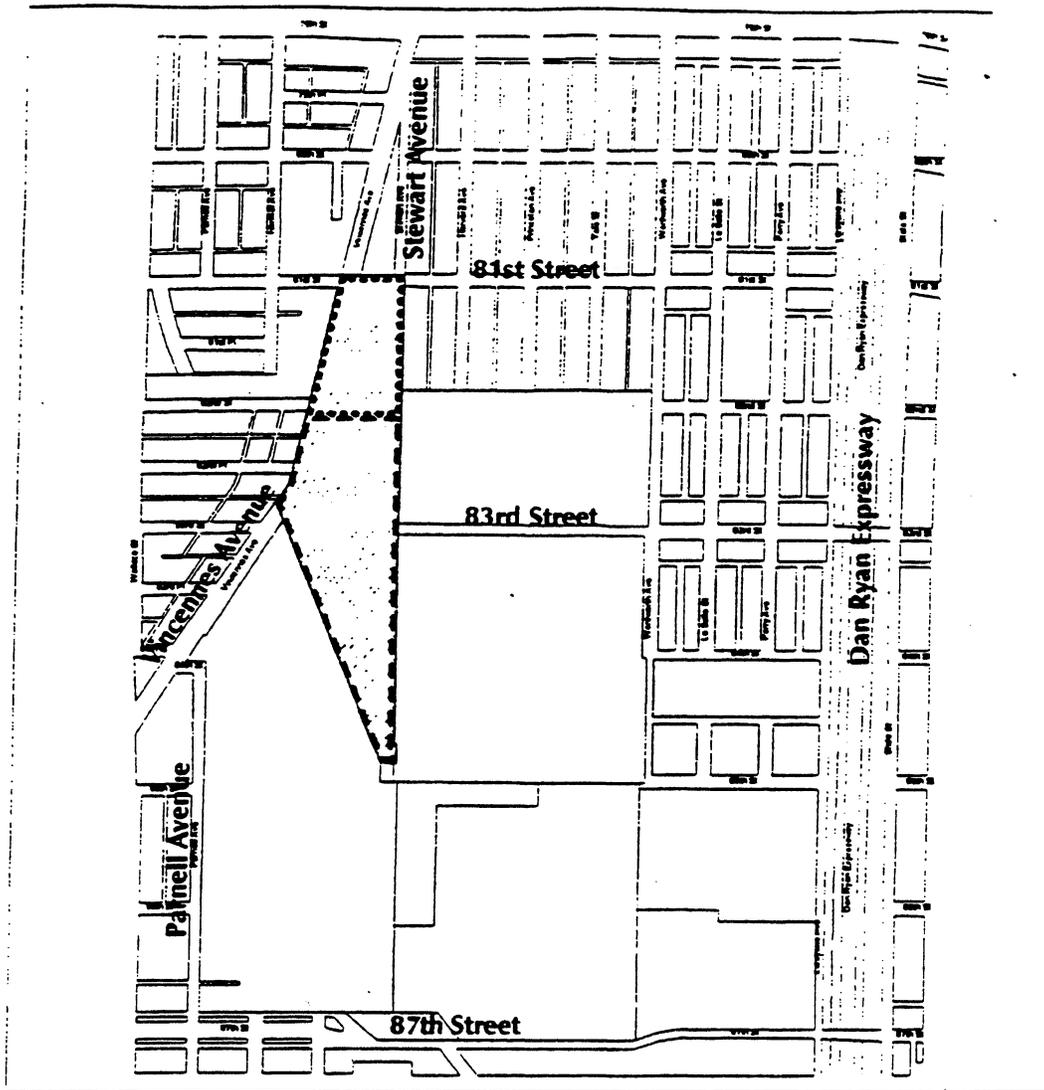
1. Blighted prior to becoming vacant.

Each of these factors contributes significantly to the eligibility of the Amended Area as a blighted area. All of these characteristics point to the need for designation of the Amended Area, to be followed by public intervention in order that redevelopment might occur.

[Figures 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 referred to in this  
Chatham Ridge Tax Increment Financing Redevelopment  
Plan and Project Amendment Number 2 Eligibility  
Study printed on pages 81706 through 81715  
of this *Journal*.]

Figure 1.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Amended Area, Improved Area And Vacant Area.*



**Legend**

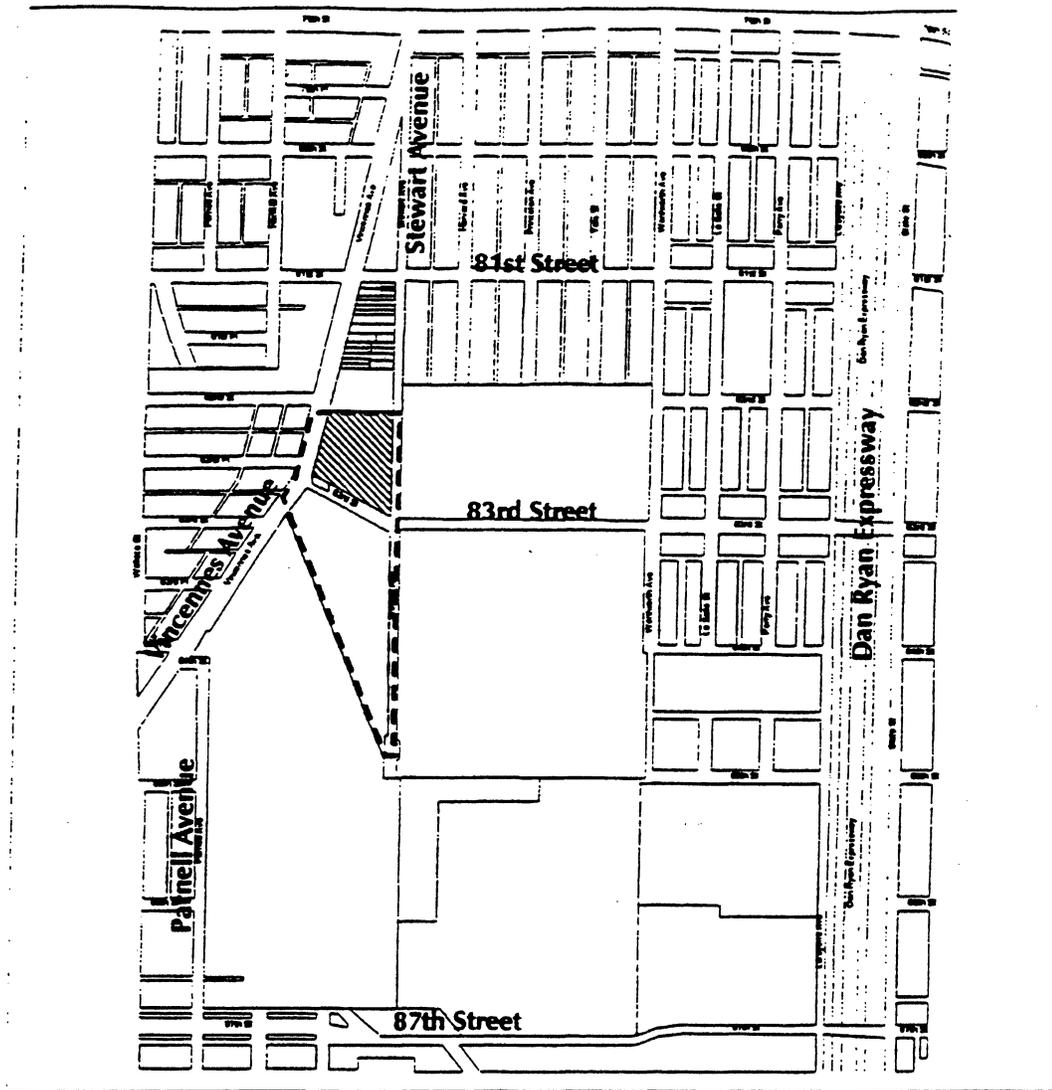
-  Amended Area
-  Improved Area
-  Vacant Area

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Figure 2.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Dilapidation In Improved Area.*



**Legend**

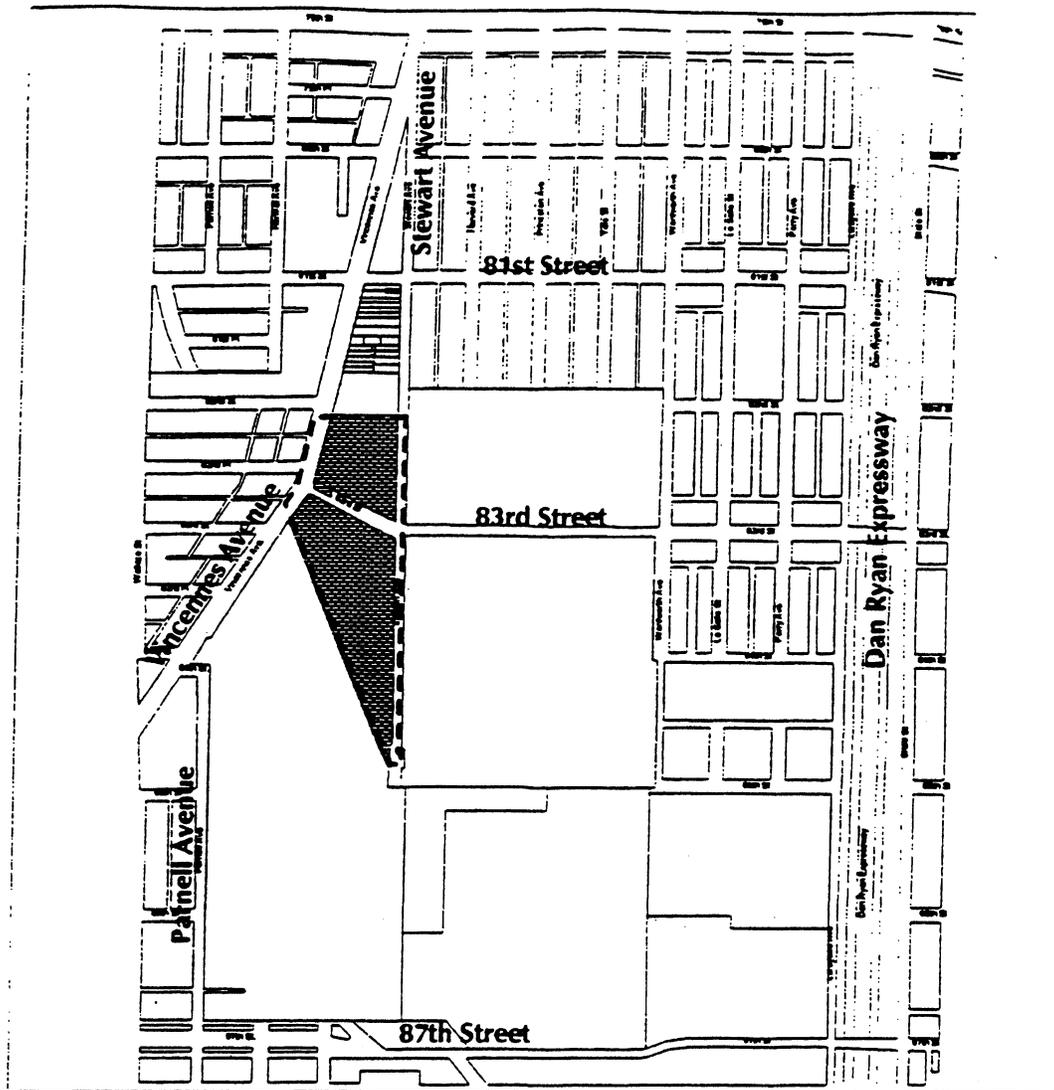
-  Parcel with Dilapidated Structure
-  Improved Area Boundary

November 2001



Figure 3.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Deterioration In Improved Area.*



**Legend**

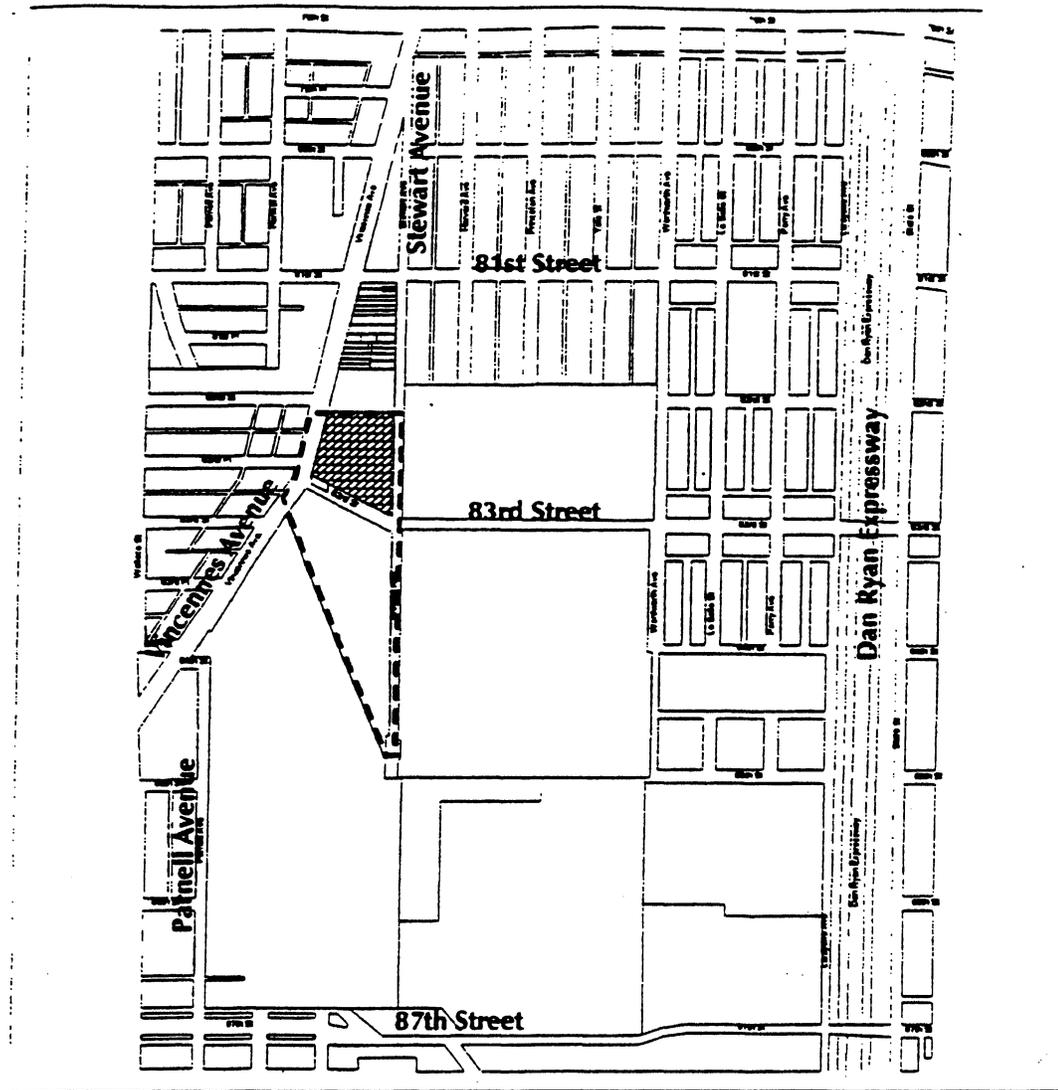
-  Parcels with Deteriorated Site Improvements
-  Parcels with Deteriorated Structures and Site Improvements
-  Improved Area Boundary

November 2001



Figure 4.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Obsolescence In Improved Area.*



**Legend**

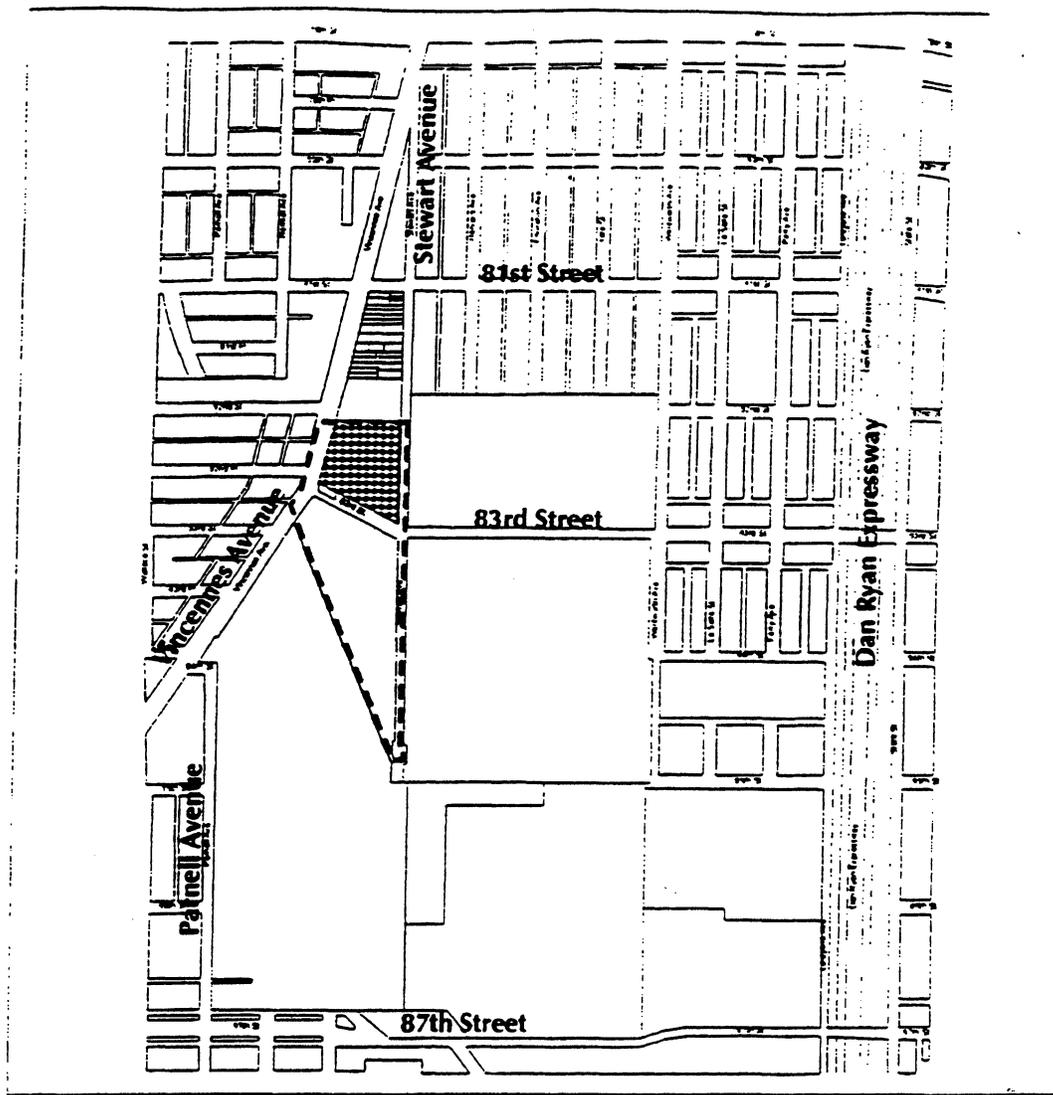
-  Parcel with Obsolete Structures
-  Improved Area Boundary

November 2001



Figure 5.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Presence Of Structures Below Minimum Code  
Standards In Improved Area.*



**Legend**

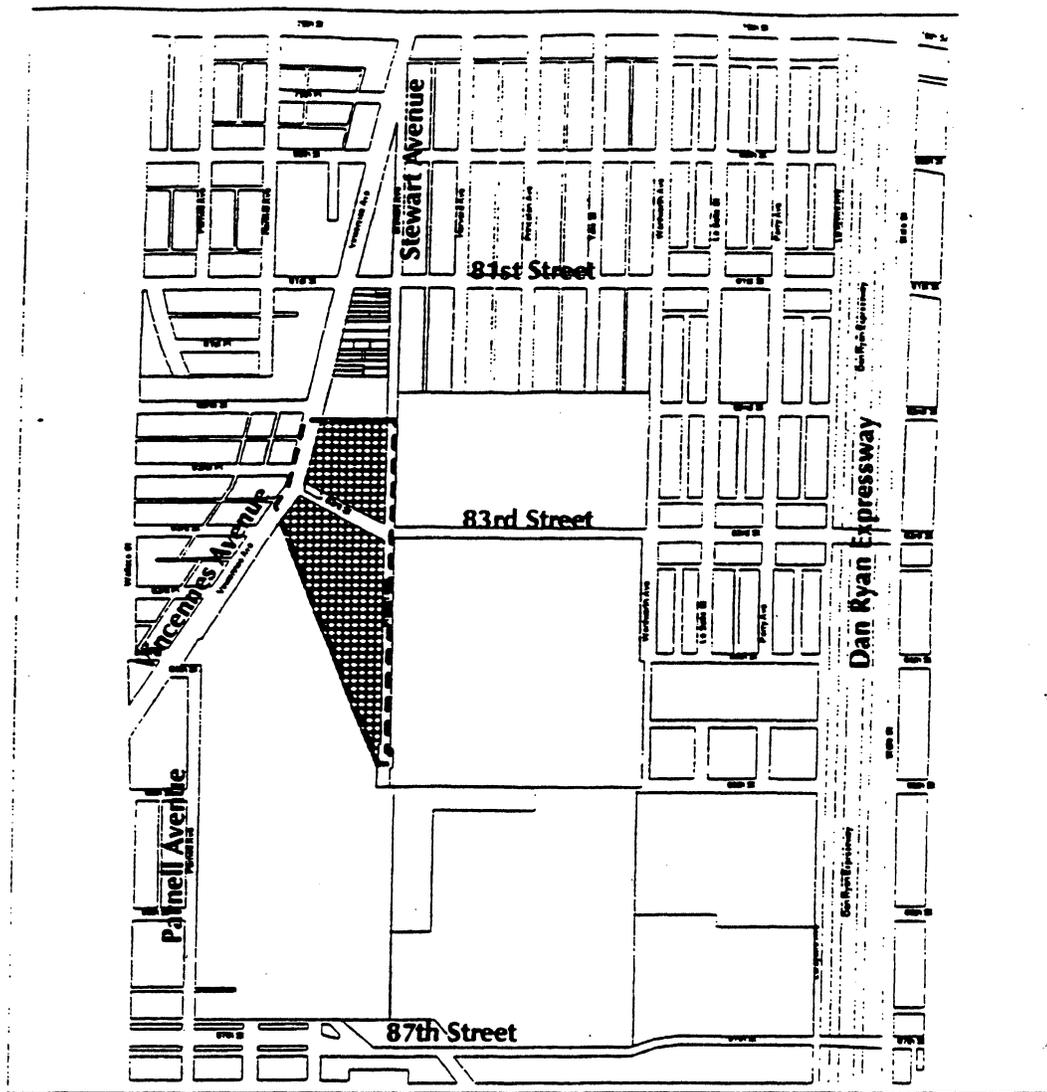
-  Parcel with Structures Below Minimum Code Standards
-  Improved Area Boundary

November 2001



Figure 6.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Lack Of Light, Ventilation And Sanitary  
Facilities In Improved Area.*



**Legend**

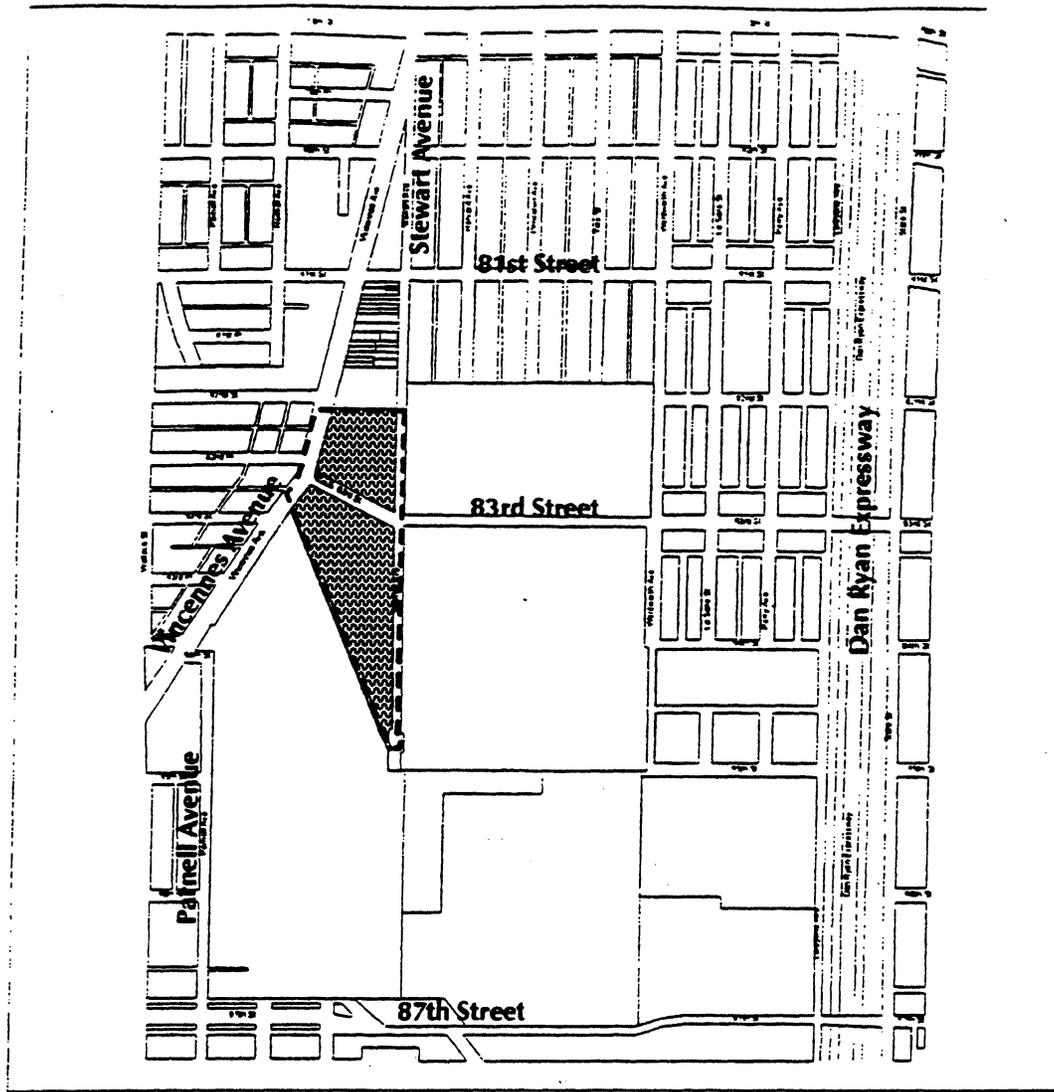
-  Parcels without Adequate Light, Ventilation, or Sanitary Facilities
-  Improved Area Boundary

November 2001



Figure 7.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Lack Of Community Planning In Improved Area.*



**Legend**



Parcels with Evidence of Negative Effects from the Lack of Community Planning



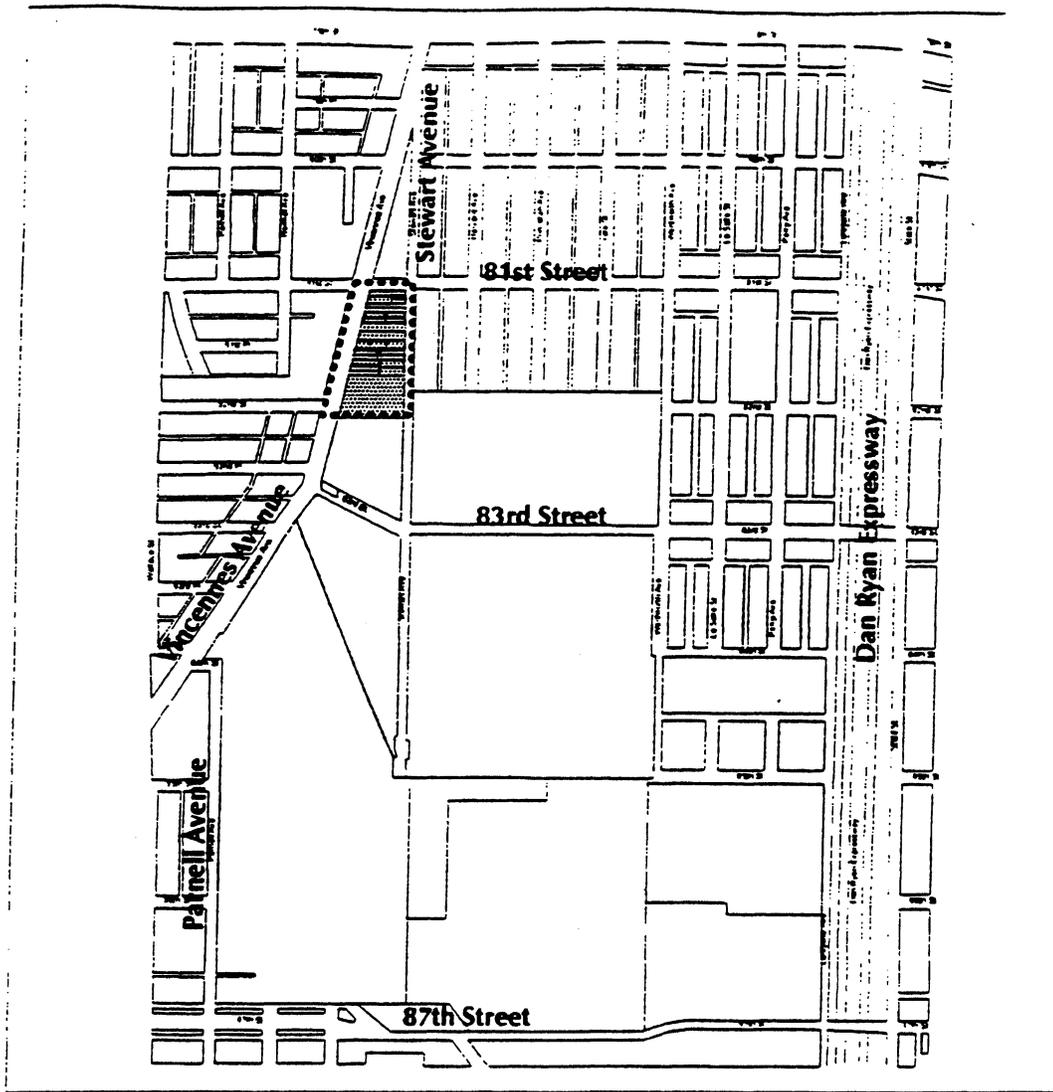
Improved Area Boundary

November 2001



Figure 8.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Obsolete Platting In Vacant Area.*



**Legend**

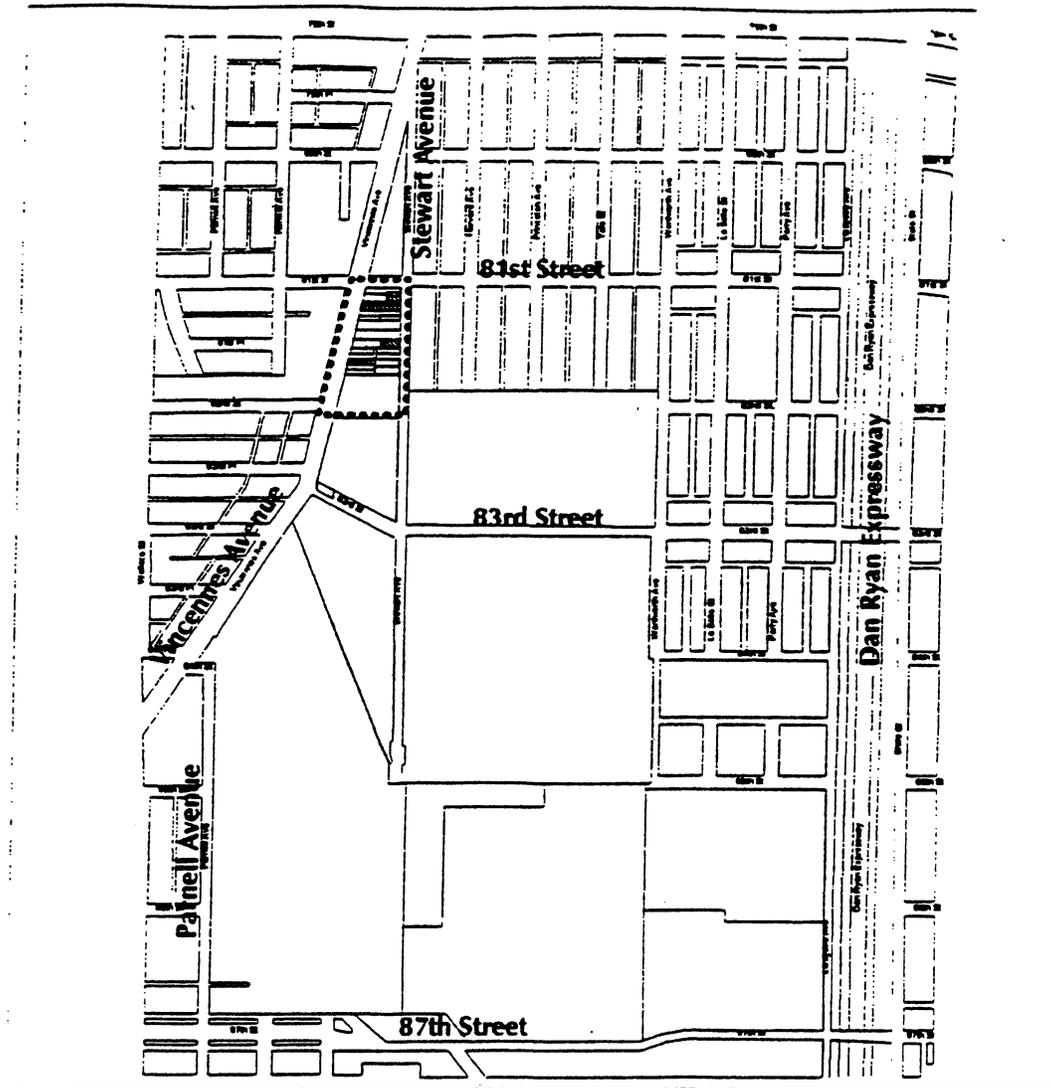
-  Parcels with Obsolete Platting
-  Vacant Area Boundary

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Figure 9.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Tax And Special Assessment Delinquencies In Vacant Area.*



**Legend**

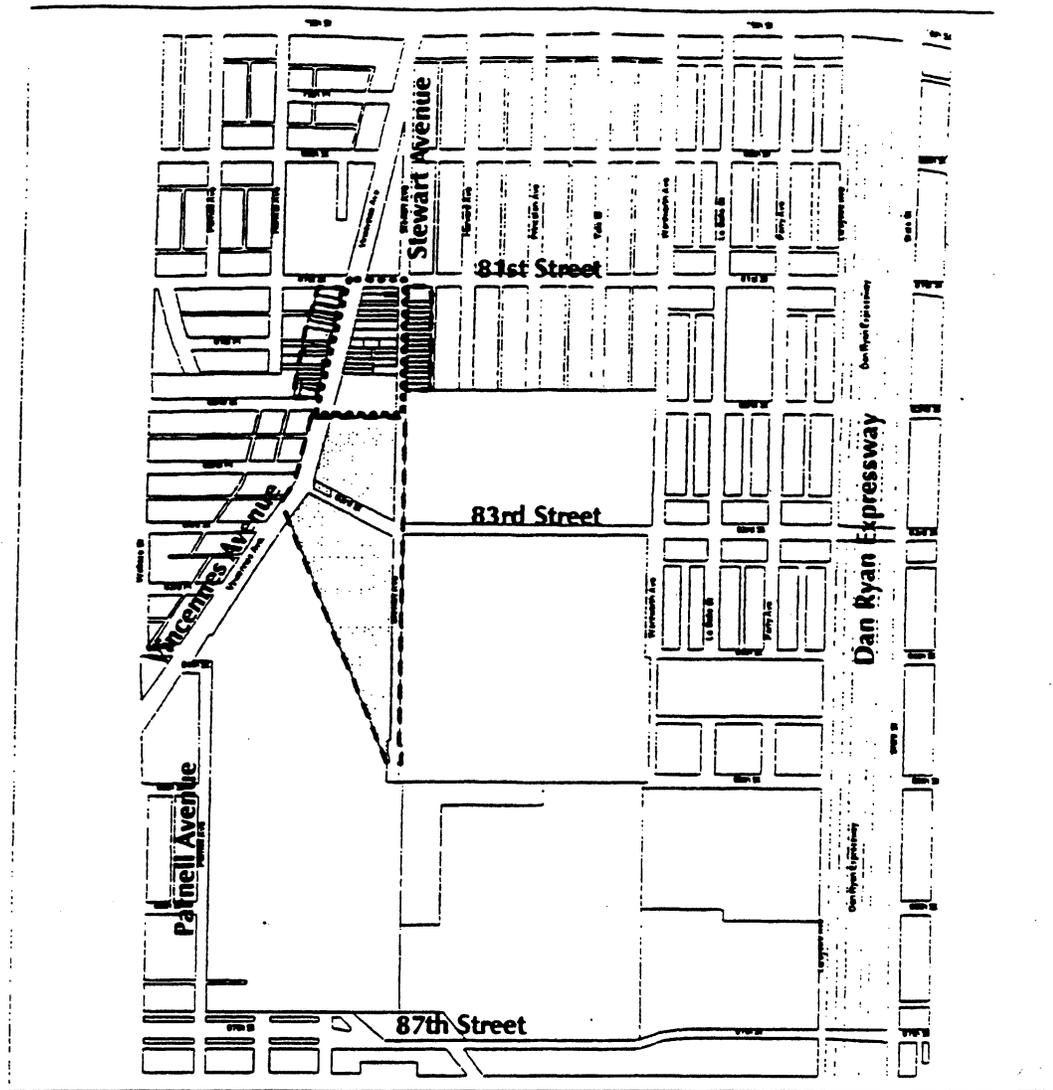
-  Parcels with Tax & Special Assessment Delinquencies
-  Vacant Area Boundary

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Figure 10.  
(To Chatham Ridge Tax Increment Financing Redevelopment Plan  
And Project Amendment Number 2 Eligibility Study)

*Deterioration Of Neighboring Areas To Vacant Area.*



**Legend**

-  Vacant Area Boundary
-  Neighboring Areas with Evidence of Deterioration

November 2001



*Appendix "C".*  
(To Chatham Ridge Tax Increment Financing Redevelopment  
Plan And Project Amendment Number 2)

*Chatham Ridge Redevelopment Area  
Redevelopment Plan And Project.*

*Chicago, Illinois*

*October 1986.*

*Introduction.*

The City of Chicago has a large and complex economic base. One of the greatest challenges in planning for the growth and expansion of the City's economic base is to maintain a balance between neighborhood and downtown development. Economic forces are polarizing business opportunities in suburban and downtown locations. Neighborhood business districts have fallen prey to the convenience of suburban shopping malls and the draw of specialty retail, entertainment and service opportunities downtown.

The City of Chicago has recognized the challenges of neighborhood economic development through a variety of planning and economic development policies and programs. The City is beginning the process of revitalizing Chicago's neighborhood economies. The adoption of the Chatham Ridge Redevelopment Area Redevelopment Plan and Project is a logical and consistent step toward revitalizing the economic base of the Chatham Ridge area.

*Report Definitions.*

The Redevelopment Plan is designed to improve an underutilized area in the vicinity of 87<sup>th</sup> Street and the Dan Ryan Expressway. For the purposes of this report, two (2) geographical areas are defined and will be referred to as follows:

Chatham Ridge Redevelopment Area ("Redevelopment Area"): An approximately ninety (90) acre area which includes the Chatham Ridge Project Site. The Chatham Ridge Redevelopment Area is the broader neighborhood in the vicinity of the Dan Ryan Expressway and 87<sup>th</sup> Street that is in need of redevelopment (see Figure 1).

Chatham Ridge Project Site ("Project Site"): An approximately seventeen (17) acre site located in the southeast section of the Chatham Ridge Redevelopment Area (see Figure 1).

The Chatham Ridge Redevelopment Area consists of single- and multi-story manufacturing or processing buildings, vacant land, a flea market, largely underutilized railroad tracks, and a steel scrap yard. Many of the buildings are in partial use or, in some cases, have been abandoned by their previous owners and/or occupants. In addition to the impact of the unsightliness and unproductiveness of the Chatham Ridge Redevelopment Area on the surrounding neighborhood and its residents, the deteriorating condition of the Redevelopment Area is also an unproductive revenue drain for the entire City of Chicago, resulting in a loss of tax dollars. Therefore, development in the Redevelopment Area should be initiated with the Chatham Ridge Project Site in order to introduce a potentially productive parcel back into the neighborhood and, in the process, help begin the revitalization of the Chatham Ridge Redevelopment Area.

Specifically, development of the Chatham Ridge Project Site would result in an approximately one hundred eighty-six thousand (186,000) square foot retail shopping center, consisting of a one (1) story multi-tenant structure, several freestanding buildings and off-street parking. The shopping center would feature both nationally and locally based tenants and would be designed to stem the flow of city shoppers to the suburbs for quality and price-conscious merchandise.

This project is extremely vital since the surrounding neighborhood lacks a desired quantity and variety of retail stores, and the project would provide incentives to motivate national businesses to locate in this area instead of the suburbs. The redevelopment of the Chatham Ridge Project Site should help to create a multiplier effect so that additional private funds will be invested in the community, advancing the redevelopment of the area, including the Chatham Ridge Redevelopment Area and perhaps even adjoining parcels, and halting what otherwise would have been a stagnant, unproductive scenario for the City of Chicago.

The Chatham Ridge Project Site currently consists primarily of a one (1) story building, which was once a warehouse for Johnson Products. Over the years the site has declined, falling on bad times, so that the building is now functionally and economically obsolete. The building has been marketed as an industrial or distribution facility without success. The physical condition of the building and site is deteriorated. Redevelopment to alternative uses provides a viable means of halting the present deterioration of the Chatham Ridge Project Site and stimulating economic development of the surrounding Chatham Ridge Redevelopment Area.

*Chatham Ridge Redevelopment Area  
And Project Site Descriptions.*

The Chatham Ridge Redevelopment Area, is generally located on the south side of the City of Chicago, County of Cook and State of Illinois, and is described as being bounded as follows:

by the south boundary line of West 87<sup>th</sup> Street; the western boundary line of South Parnell Street; the south boundary line of West 84<sup>th</sup> Street; the west boundary line of South Vincennes Avenue; the easterly line of the right-of-way for the C.& W.I. Railway line; the southern boundary of the Ryerson Steel plant facilities; the western and southern boundary lines of lands used for the Johnson Products distribution facility; and the west line of the Dan Ryan Expressway.

The Chatham Ridge Redevelopment Area is approximately ninety (90) acres in size and is located in a predominantly nonresidential portion of the city, characterized by industrial and commercial uses. The Area with its existing land uses is shown in Figure 2 and legally described in Appendix A.

Existing land uses in the Chatham Ridge Redevelopment Area include industrial, commercial and transportation (railroad). A portion of the Redevelopment Area is vacant. Existing development in and improvements to the Redevelopment Area include the following:

- A two hundred thousand (200,000) square foot industrial/warehouse building currently being used for commercial purposes.
- A steel salvage yard.
- An older, multiple-story processing/warehousing facility currently being used for commercial purposes (flea-market).
- A gasoline service station.
- A church building.
- A construction yard and storage building.
- Railroad trackage and related buildings.

The Chatham Ridge Project Site is the aggregate of approximately seventeen (17) acres. The Chatham Ridge Project Site is shown in Figure 1. It includes only those contiguous parcels of real property and improvements thereon which will be benefited substantially by the proposed redevelopment project.

The Chatham Ridge shopping center would be developed on the Chatham Ridge Project Site. The Chatham Ridge Project Site, located on the south side of the City of Chicago, County of Cook and State of Illinois, is bounded by the western line of the Dan Ryan Expressway (I-94) on the east, the south boundary line of West 87<sup>th</sup> Street on the south, the east property line of the Anthony Steel steel scrap yard on the west and the south property line of the Johnson Products manufacturing/distribution facilities on the north.

Existing land uses on the Chatham Ridge Project Site consist primarily of a one (1) story building, which was once a ware-house for Johnson Products, and its accompanying parking lot and rail spur.

#### Policy Foundation.

The Redevelopment Plan for the Chatham Ridge Redevelopment Area conforms to the comprehensive plan for the development of the City of Chicago as a whole. Further, these purposes are consistent with and are pursuant to implementation of general municipal development objectives and policies contained in plans previously stated by the City of Chicago, including the following:

1. The Comprehensive Plan of Chicago: the Improvement Plan for Business, December, 1966.
2. The Comprehensive Plan of Chicago: Mid-South Development Area, September 1968.
3. Chicago Development Plan, Chicago Works Together, May 1984.

Pertinent objectives from the above three (3) mayoral policy statements include the following (the number in parentheses following each specific pertinent objective refers to the plan from which it is excerpted):

1. Provide adequate parking and attractive settings. (1)
2. Improve business centers in older parts of the City. (1)

3. Private initiative supported by public actions will be the important component in business improvements. (1)
4. Improve business centers in conjunction with major rebuilding programs. (1)
5. Consolidate strip commercial development. (1)
6. Provide needed shops and services for Chicago residents. (1)
7. Pursue projects which would compete effectively with suburban centers. (1)
8. Give priority (of treatment) to centers which face competition from suburban centers. (1)
9. Provide more efficient and attractive commercial facilities by encouraging the consolidation of businesses into competitive, customer-oriented retail and special-service centers. (2)
10. Encourage industry to meet contemporary standards regarding parking, screening noise and air pollution. Encourage the consolidation of older industrial districts by replacing or rehabilitating deficient buildings and removing nonindustrial uses.(2)
11. Maintain residential areas of high quality and improve those which have deteriorated. Increase the supply of standard housing by rebuilding in older areas. (2)
12. An emphasis on strengthening Chicago's tax base is fundamental to virtually every City development project which seeks to maintain or expand Chicago's business community and to create job opportunities for City residents. (3)
13. Many Chicago neighborhoods that have suffered disinvestment in the past should be emphasized for new investment over those neighborhoods with extensive and solvent private investment. (3)
14. A call for balanced growth as a key to economic development means the vigorous pursuit of development opportunities in both the downtown and the neighborhoods, and across the City's economic sectors. (3)

*Redevelopment Plan Goals And Objectives.*

The purpose of the Redevelopment Plan is to stimulate growth in the form of investment in new development and reinvestment in facilities that are essential in a specific business district, as it is in the entire City. Redevelopment and conservation efforts in the Redevelopment Area would strengthen the entire City through environmental improvements and an increased tax base, and would provide additional employment opportunities. It would encourage citizens and government to work together to address and solve the problems of urban growth and development. The joint venture between the City and the private sector for the redevelopment of the Chatham Ridge Redevelopment Area would receive significant support from the business community.

**General Goals.**

- A. Improve the quality of life in Chicago by eliminating the influences of both physical and economic blight in the Redevelopment Area.
- B. Enhance the marketability of vacant and other underutilized properties by encouraging private investments which strengthen the community's economy, tax base, business environment and living environment.
- C. Develop and create an attractive blend of retail and restaurant space with related uses.
- D. Provide adequate and accessible on-site parking and good traffic flow.
- E. Provide sound economic development in the Redevelopment Area while generating needed sales and real estate tax revenues.
- F. Provide employment opportunities for minorities and women.

**Redevelopment Objectives.**

- A. Enhance the tax base of the City of Chicago and of other taxing districts which extend to the Redevelopment Area by encouraging private investment and commercial development.
- B. Provide public improvements which include utilities, parking, public open space, sidewalks, streetscapes, et cetera.
- C. Eliminate blight conditions within the Redevelopment Area.

- D. Enhance the value of properties within both the Redevelopment Area and the general business district.
- E. Provide a net benefit to the City in both jobs and tax revenues.
- F. Provide needed incentives to encourage a broad range of improvements in the development of the Redevelopment Area.

#### Chatham Ridge Redevelopment Area Eligibility.

The Tax Increment Allocation and Redevelopment Act (Act) of 1977 allows municipalities to improve eligible "blighted" or "conservation" areas in accordance with an adopted redevelopment plan. The Act defines specific criteria for determining the eligibility of an area for redevelopment.

A redevelopment project area is:

"an area designated by the municipality, which is not less in the aggregate than one and one-half (1½) acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted and conservation areas."

A conservation area is defined by the Act as:

"... any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which fifty percent (50%) or more of the structures in the area have an age of thirty-five (35) years or more. Such an area is not yet a blighted area but because of a combination of three (3) or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land-use or layout; depreciation of physical maintenance; lack of community planning, is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area."

A blighted improved or vacant area is defined by the Act as:

"... any improved or vacant ... area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of five (5) or more of the following factors: age;

dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land-use or layout; depreciation of physical maintenance; lack of community planning is detrimental to the public safety, health, morals or welfare, or if vacant, the sound growth of the tax district is impaired by, (1) a combination of two (2) or more of the following factors: obsolete platting of the vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; flooding on all or part of such land; deterioration of structures on site improvements in neighboring areas adjacent to the vacant land, or (2) the area immediately prior to becoming vacant qualified as a blighted improved area, or (3) the area consists of an unused quarry or unused quarries, or (4) the area consists of unused rail yards, rail tracks or railroad rights-of-way . . .”

To determine eligibility, a field survey of the Redevelopment Area was conducted together with further research into building age, performance and condition. The discussion below presents an analysis of site and building conditions that relate to the criteria established for designating a redevelopment project area. Relevant characteristics of the improved portions of the Chatham Ridge Redevelopment Area are as follows:

- Size -- The Chatham Ridge Redevelopment Area is approximately ninety (90) acres in size, which exceeds the minimum requirement for a redevelopment project area.
- Age Of Buildings -- The majority of the buildings in the Redevelopment Area were constructed before 1950, which exceeds the thirty-five (35) year standard defined in the Act. These buildings include:
  - The industrial/warehouse/office building formerly occupied by Johnson Products.
  - The processing/warehouse facility that is partially occupied by the Rainbow Flea Market.
  - The Concord Oil gasoline service station (part).
  - The building structures associated with the railroad operations.
  - The building structures associated with Anthony Steel that are identifiable.

- Deterioration -- Various buildings and land areas in the Redevelopment Area exhibit different stages of deterioration. The overall pattern in the Area clearly leads to an increasing rate of disinvestment and deterioration. For example, the industrial warehouse building at Lafayette and 87<sup>th</sup> Street has some leaks in its roof that have resulted in water damage. The north side of the building is overgrown and declining from lack of use because of an abandoned rail spur. The surrounding site, which is largely vacant or used for parking, is also overgrown, poorly maintained and strewn with garbage. The Rainbow Flea Market is located in an old processing/warehouse facility that is in a severe state of disrepair. A multi-story building at the northern end of this facility exhibits dilapidated conditions such as an overall poor physical condition, broken windows, outmoded equipment and a missing roof. A large parcel of land between the Flea Market and Concord Oil is covered with garbage and other unwanted debris. Similarly, the parcel between the Church of God and Concord Oil has become partially a dumping ground.
  
- Obsolescence -- The largest building in the Redevelopment Area, the two hundred thousand (200,000) square foot former Johnson Products facility is functionally and economically obsolete. The building was unsuccessfully marketed for five (5) years as an industrial/ warehouse facility. The facility fails to meet many of the criteria that manufacturing/warehouse operations require for facilities:
  - The long and narrow configuration of the building would require an inefficient U-shaped material flow.
  - There is a lack of rail service which would be essential for a facility of this magnitude.
  - The placement of the building on the lot line at the 87<sup>th</sup> Street and Lafayette Avenue intersection inhibits ingress and egress of transportation vehicles because of tight turning radii and traffic conditions.
  - The physical condition of the interior offices does not meet present standards of design, utilization or flexibility.

Other obsolete buildings in the Area include the multi-story portion of the building that currently houses the flea market. Modern manufacturing and distribution technologies are not suited to multi-story building configurations. The railway buildings on the western side of the Redevelopment Area are largely obsolete because of greatly reduced rail traffic in the area. The HD & B Construction storage facility was originally built for residential uses. Because of deterioration caused by its present use, only a major effort could return it to this higher former use.

- Depreciation Of Physical Maintenance -- Land and buildings within the Redevelopment Area are not being properly maintained, reflecting the general underutilization of these properties. Vacant land within the Redevelopment Area serves as a local dumping ground, and is generally overgrown. The Rainbow Flea Market building has broken and boarded-up windows. The parking lot and driveway are in disrepair. The multi-story portion of the building does not have a roof, and could be a potential safety hazard. The area surrounding the two hundred thousand (200,000) square foot building is overgrown and littered with debris, which detracts from the desirability of the area. The facility is occupied by temporary tenants who have little incentive to maintain the facility at its proper level. Interior carpeting and finish are worn, water damage is not repaired, some washrooms are unusable and parts of the facility's physical plant are poorly maintained.
  
- Deleterious Land Uses And Layout -- The land-use pattern in the Redevelopment Area is inconsistent and unsightly. The salvage yard and flea market are transitional land uses that do not reflect the development potential of this area, given its high traffic volume and visibility, and is inconsistent with surrounding residential and commercial land uses. The abandoned multi-story facility, the underutilized rail tracks and vacant land are garbage-laden, further detracting from the Area's development potential. The potential of the largest facility in the Redevelopment Area, the former Johnson Products building, is limited by its layout. In order to redevelop or reuse the building, it must be subdivided to meet the needs of the marketplace. Changing manufacturing technology and management procedures are leading a shift in demand toward smaller manufacturing facilities in the range of fifty thousand (50,000) square feet, not two hundred thousand (200,000) square feet. The configuration of the building and its position on the site are deleterious to its reuse:
  - The placement of sanitary facilities, sprinkler systems and other basic building systems are designed for a single user and would be expensive to retrofit for multi-tenants.
  - The building was originally designed to be served by both rail and truck transportation. Because the former is in disrepair from lack of use, the long and narrow configuration of the building now requires an inefficient U-shaped materials flow.
  - Ingress and egress to the facility are inhibited by its proximity to the intersection of 87<sup>th</sup> Street and Lafayette Avenue. Trucks entering and exiting the facility must make sharp turns into and out of an enclosed delivery area.
  - The lack of rail service restricts reuse potential.

- Lack Of Community Planning -- The Redevelopment Area and its surrounding area have developed in an inconsistent manner. The potential of the shopping center south of 87<sup>th</sup> Street is inhibited by the underutilization and deleterious land uses of the Project Site. The amalgamation of industrial, commercial and residential land uses in the vicinity of 87<sup>th</sup> and Lafayette presents an inconsistent development pattern. The lack of synergistic or related land uses inhibits the area's market potential. Conflicting use patterns, such as truck versus automobile traffic, can cause public safety hazards, as well as general inconvenience. The abandoned and underutilized rail spurs have historically hampered development in the Redevelopment Area, and encourage dumping of debris. A critical mass of complementary retail/commercial uses is necessary to revitalize the economic development potential of the Redevelopment Area.

The characteristics of the vacant land in the Redevelopment Area are also relevant to the eligibility of the Redevelopment Area as follows:

- The western portion of the Redevelopment Area consists largely of rail tracks and rail right-of-way that are unused or underutilized.
- If the rail tracks are abandoned, the original platting of the streets and alleys will be in force (as passed by the town of Lake, November 1, 1881), which will inhibit redevelopment.
- The structures and areas surrounding the vacant land and in the Redevelopment Area are deteriorating as discussed above.
- There is diversity of ownership.

These survey results indicate that the Chatham Ridge Redevelopment Area qualifies as a blighted or conservation area under the statutory criteria for such classifications. The Redevelopment Area has significant deficiencies in the following factors:

Age.

Deterioration.

Obsolescence.

Depreciation of physical maintenance.

Deleterious layout and land uses.

Lack of community planning.

Obsolete platting.

Railway use and right-of-way.

Diversity of ownership of vacant land.

The Chatham Ridge Redevelopment Area is clearly in need of redevelopment and is eligible for utilization of the Provisions of the Act. On the whole, the Chatham Ridge Redevelopment Area has not been subject to healthy growth and development through investment by private enterprise, and would not reasonably be anticipated to be developed without the adoption of the Redevelopment Plan. Vacancies, abandoned buildings, obsolescence, depreciation of physical maintenance, and deleterious layout are all evidence of this situation. Lack of community planning and structural deterioration create obstacles which impede development through normal private actions. The existing facility on the Project Site has been marketed for five (5) years without success for industrial/warehouse uses. It is functionally and economically obsolete, and reuse and redevelopment are the best strategies for utilizing the site to its full development potential.

#### Redevelopment Plan.

Pursuant to the foregoing goals and objectives, a coordinated Redevelopment Plan would be implemented to upgrade and revitalize the Redevelopment Area. The first phase of this plan would be to redevelop the Chatham Ridge Project Site at 87<sup>th</sup> and Lafayette for a community retail shopping center. Other development may be attracted to the Chatham Ridge Redevelopment Area once the subject shopping center is in place. Any such further development projects would have to be consistent with this Plan and the Act. Figure 3 on the following page identifies the proposed future land uses for the Redevelopment Area.

#### Development Strategies.

The development strategy under the Redevelopment Plan is to encourage the timely development of a shopping center on the Chatham Ridge Project Site at the corner of Lafayette and 87<sup>th</sup> Street. Other parts of the Redevelopment Area will be used for commercial and residential purposes as shown in Figure 3. Future land uses and redevelopment strategies will be consistent with this Redevelopment Plan.

All existing buildings on the Chatham Ridge Project Site are to be demolished and

construction would proceed so that the final redevelopment would include:

- A one hundred eighty-six thousand (186,000) square foot, one (1) story, multi-tenant retail mall.
- Freestanding outlot-pads to feature restaurant and other related uses.
- Off-street parking.

The City of Chicago will provide improvements related to the Chatham Ridge shopping center on the Project Site to enhance the City as a whole, to support the Chatham Ridge Redevelopment Plan, and to serve the needs of area residents and businesses. Appropriate public improvements would include at least the following:

- site preparation;
- upgrading storm, sewer and water lines in the adjoining streets;
- Installing new sidewalks;
- providing new lighting and landscaping.

The cost of these improvements is estimated in the schedule, estimated Project Development Costs, in Exhibit 1, and will be described in a subsequent section.

The retail center would feature both nationally and locally based tenants. The store mix and marketing strategy for the center would be designed to reduce the leakage of retail expenditures from the neighborhood, as well as to complement existing retail businesses.

#### Relocation.

In order to facilitate the development of the Chatham Ridge shopping center, existing tenants in the building on the Redevelopment Site would have to be relocated. These tenants include:

- Debbie's School of Beauty Culture.
- Junior Achievement.
- A temporary service center for the M.A.N. Truck and Bus Corporation.

The costs of relocation in the form of either relocation advice or financial assistance would be supported by tax increment funds. Future redevelopment of the rest of the Redevelopment Area and the costs associated with relocating tenants present at that time might be covered by tax increment funds generated by such future redevelopment.

Land-Use Plan -- Chatham Ridge Shopping Center -- Chatham Ridge Project Site.

Land uses would be developed in accordance with the Planned Unit Development (P.U.D.) to be submitted to the proper governing body. Future land uses are also expected to be in accordance with the proposed P.U.D. and allowable variances therefrom. It is the intent of the plan to encourage conforming mixed-used development. The following are the characteristic uses which the City desires in the Project Site.

- Retail Uses -- Retail uses should be developed in order to make the Project Site one (1) of the preferred shopping center destinations in the City. Prospective tenants include food, appliance, drug and toy stores as anchors with ancillary, multi-tenant retail space.
- Restaurant Uses -- Restaurant uses would be permitted throughout the Project Site.
- Parking Uses -- Full realization of economic development potential of the Project Site is directly related to the availability of sufficient automobile parking that is conveniently located together with appropriate pedestrian linkages and amenities to allow and encourage patrons to combine their errands into a one-stop, multi-purpose trip.

Development Design Objectives.

The land-use plan for the shopping center is designed to improve and strengthen the general land-use relationships within the area. The placement of the building on the Project Site encourages interaction between the proposed retail center and the existing shopping center located directly across 87<sup>th</sup> Street to the south, providing a stronger retail market draw for multi-purpose shopping trips. The industrial uses to the north are shielded by the site plan design, creating a consistent retail/commercial land-use pattern at 87<sup>th</sup> and Lafayette.

Architectural and design standards would meet or exceed City requirements. The development of subsequent portions of the Chatham Ridge Redevelopment Area would be consistent in quality and design standards with the Chatham Ridge shopping center.

#### Estimated Project Development Costs.

The Redevelopment Plan required for tax increment financing must include a description of all costs pertaining to the redevelopment project. These project costs include all reasonable or necessary expenses incurred or estimated to be incurred in connection with a redevelopment plan and a redevelopment project. For example, these costs may be:

1. Cost of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan, including, but not limited to, staff and professional service costs for architectural, engineering, legal, marketing, financial, planning or other services.
2. Building acquisition, including demolition of buildings, removal of debris and site grading.
3. Costs of removing and constructing or repairing of on- or off-site public improvements, such as roads, curbs, signs, sidewalks, utilities and landscaping.
4. Financial costs, including, but not limited to, all necessary and incidental expenses related to the issuance of obligations, and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding sixteen (16) months thereafter, and including reasonable reserves related thereto.
5. Costs for relocating tenants from structures that will be demolished.

The estimated costs associated with the redevelopment of the Chatham Ridge Project Site are presented in Exhibit 1 below.

## Exhibit 1.

Chatham Ridge Project Site.  
Estimated Project Development Costs.  
Eligible For Tax Increment Financing.

Items	Estimated Costs <sup>(1)</sup>
Building Acquisition	\$2,000,000
Public Improvements	923,000
Site Preparation	1,668,000
Tenant Improvements/Relocation	100,000
Architect and Engineer	61,600
Other Professional Fees	300,000
City Administration Expenses	100,000
Financing Expenses	1,117,100
<b>TOTAL:</b>	<b>\$6,269,700</b>

Source: First National Realty & Development Company, Inc.

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<sup>(1)</sup> The cost figures mentioned above are intended to provide an estimate as to project costs. Line item amounts may vary and amounts shown may be shifted from one (1) category to another.

### Sources Of Funds.

Although other sources of funds which become available are not to be excluded, the only source presently contemplated for funding the redevelopment project costs described above is tax increment financing (T.I.F.). The revenue to support a T.I.F. bond issue will be derived from the incremental real estate taxes and the sales tax revenue generated by the new development in the designated redevelopment area.

The sales tax revenue was estimated by identifying a probable retail mix of the shopping center and applying a sales volume figure for each retail use. Because there are no current retail sales on the site, the total expected sales tax revenues are available to the increment allocation. The sales tax revenue allocated to the increment fund include the following five (5) taxes: Municipal Retailer Occupation Tax, Municipal Service Occupation Tax, Retailer Occupation Tax, Use Tax and Service Use Tax.

As shown on Exhibit 2 below the last current 1985 equalized assessed valuation and property tax revenue for the Chatham Ridge Redevelopment Area are approximately One Million Three Hundred Two Thousand One Hundred Nineteen Dollars (\$1,302,119) and One Hundred Twenty-six Thousand Five Hundred Fifty-four Dollars (\$126,554), respectively. The assessed valuation and property tax revenue for the Project Site are approximately Eight Hundred Fifty Thousand Ninety-six Dollars (\$850,096) and Eighty-two Thousand Six Hundred Twenty-two Dollars (\$82,622), respectively, which represents sixty-five percent (65%) of the Redevelopment Area's equalized assessed valuation and its real property taxes. The prospective estimate of equalized assessed valuation after redevelopment of the Chatham Ridge Project Site is approximately Five Million Seven Hundred Thirteen Thousand Dollars (\$5,713,000) during the shopping center's first (1<sup>st</sup>) full year of operation (see Appendix B).

### Exhibit 2.

#### Chatham Ridge Redevelopment Area 1985 Equalized Assessed Valuation And Real Property Taxes.

Property Identification Number	Equalized Assessed Valuation	Real Property Taxes
20-33-305-004	Exempt	Exempt

Property Identification Number	Equalized Assessed Valuation	Real Property Taxes
20-33-305-005	\$ 1,374	\$ 134
20-33-305-006	6,753	656
20-33-305-010	3,608	351
20-33-305-012	Exempt	
20-33-305-013	Exempt	
20-33-305-018	(1)	(1)
20-33-305-022	39,170	3,807
20-33-305-024	9,522	925
20-33-305-025	12,535	1,218
20-33-305-026	(3)	(3)
20-33-305-027	112,820	10,965
20-33-305-028	Railroad <sup>(2)</sup>	
20-33-305-029	106,635	10,364
20-22-305-030	159,606	15,512

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(1) Only a small vacant portion of this tax parcel is included in the Redevelopment Area. It is assumed that the assessed valuation and property taxes for this parcel flow to the developed portion of the parcel and not the Redevelopment Area.

(2) Taxes/payments in lieu predicated on value of property in whole State and allocated to various jurisdictions. It is not possible to ascertain taxes on railroad property at this time.

(3) Not meaningful. Data not available from Assessor.

Property Identification Number	Equalized Assessed Valuation	Real Property Taxes
20-33-411-013	\$ 634,930	\$ 61,709
20-33-411-014	Railroad <sup>(2)</sup>	
20-33-411-021	79,151	7,693
20-33-411-022	45,936	4,465
20-33-411-028 <sup>(4)</sup>	90,079	8,755
	\$1,302,119	\$126,554

Source: Cook County Assessor's Office.

The total amount of sales tax and real estate tax revenue available to service the tax increment bonds is estimated in Appendix B and shown on Exhibit 3. The sales tax revenue will be used exclusively for the development of the Chatham Ridge Redevelopment Area. The Project Site would not reasonably be developed without the use of such incremental revenue. Any excess tax revenue not required for payment of the bond debt service costs and redevelopment project costs may be used for early repayment of debt or be distributed to the public taxing entities.

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(2) Taxes/payments in lieu predicated on value of property in whole State and allocated to various jurisdictions. It is not possible to ascertain taxes on railroad property at this time.

(4) Only part of this tax parcel in the Redevelopment Area. Equalized assessed valuation and property tax revenues as shown have been apportioned on the basis of land area.

## Exhibit 3.

Chatham Ridge Project Site Analysis  
Of Incremental Tax Revenue.

	Incremental Real Estate Tax Revenue <sup>(1)</sup>	Incremental Sales Tax Revenue <sup>(1)</sup>	Total T.I.F. Revenue
1987	0	0	
1988	(13,100)	0	(13,100)
1989	393,200	514,666	907,866
1990	583,800	1,082,390	1,666,190
1991	617,500	1,136,510	1,754,010
1992	653,000	1,193,336	1,846,336
1993	685,650	1,253,002	1,938,652
1994	719,933	1,315,652	2,035,585
1995	755,930	1,381,435	2,137,365
1996	793,727	1,450,507	2,244,234
1997	833,413	1,523,032	2,356,445
1998	875,084	1,599,184	2,471,268
1999	918,838	1,679,143	2,597,981
2000	964,780	1,763,100	2,727,880

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(1) There is a one (1) year lag between the accrued incremental real estate and sales tax revenues shown in Appendix B, Exhibits B and C, and when the revenues become available to service obligations, as shown above.

(2) A five percent (5%) annual inflation rate is assumed.

	Incremental Real Estate Tax Revenue <sup>(1)</sup>	Incremental Sales Tax Revenue <sup>(1)</sup>	Total T.I.F. Revenue
2001	1,013,019	1,851,255	2,864,274
2002	1,063,670	1,943,818	3,007,488
2003	1,116,854	2,041,009	3,157,863
2004	1,172,697	2,143,059	3,315,756
2005	1,231,332	2,250,212	3,481,544
2006	1,292,899	2,362,723	3,655,622
2007	1,357,544	2,480,859	3,838,403

Source: Laventhol & Horwath, See Appendix B for explanation.

#### Nature And Term Of Obligations To Be Issued.

Tax increment revenue obligations may be issued pursuant to the Act for a term not to exceed twenty (20) years. One (1) or more series of obligations may be issued from time to time in order to implement the redevelopment plan. All obligations are to be covered after issuance by projected and actual tax increment revenues and by such debt service reserves and sinking funds as may be provided by ordinance. The terms and conditions of the obligations will depend upon many factors, including recent financial market conditions and its perceived level of risk in the real estate project. Revenues not required for the retirement of obligations providing for reserves, sinking funds and payment of redevelopment project costs are to be declared surplus and become available for distribution annually to the taxing districts in the redevelopment area in the manner provided by the Act.

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<sup>(1)</sup> There is a one (1) year lag between the accrued incremental real estate and sales tax revenues shown in Appendix B, Exhibits B and C, and when the revenues become available to service obligations, as shown above.

<sup>(2)</sup> A five percent (5%) annual inflation rate is assumed.

Such securities may be issued on either a taxable or tax- exempt basis with either fixed rate or floating interest rates; with or without floating interest rates, with or without capitalized interest, with or without interest rate limits, and with or without redemption provisions.

#### Provisions For Amendment.

The Redevelopment Plan and Project may be amended in accordance with the terms of the Act.

#### Completion Of Redevelopment Project And Retirement Of Obligations To Finance Redevelopment Costs.

The redevelopment of the Chatham Ridge Redevelopment Area will be completed and all obligations issued to finance redevelopment project costs will be retired no later than December 1, 2009. Pursuant to this plan, the bonds will mature no later than twenty-three (23) years from the adoption of the ordinance approving the redevelopment of the Chatham Ridge Redevelopment Area. Construction activities for the Chatham Ridge Project Site are expected to be completed in four (4) years. Obligations may be retired within less than ten (10) years, depending on the incremental real property and sales tax yield.

[Figures 1, 2 and 3 referred to in this Original Plan and Project for the Chatham Ridge Redevelopment Project Area printed on pages 81740 through 81742 of this *Journal*.]

[Appendix "B" -- (Sub)Exhibits "A", "B" and "C" referred to in this Original Plan and Project for the Chatham Ridge Redevelopment Project Area printed on pages 81743 through 81745 of this *Journal*.]

Appendix "A" referred to in this Original Plan and Project for the Chatham Ridge Redevelopment Project Area reads as follows:

*Appendix "A".*  
(To Original Plan And Project For Chatham Ridge  
Redevelopment Project Area)

*Legal Description Of Redevelopment Area.*

Parcel I.

That part of the south 35.00 acres (except the east 304 feet as measured at right angles to the east line thereof) of the east half of the southeast quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the following described line:

commencing at a point in the east line of the aforesaid southeast quarter that is 629.10 feet north of the southeast corner of the aforesaid Section 33; thence west in a line parallel to the south line of the aforesaid southeast quarter (being the north line of the south 300 feet of the north 25.00 acres of the said south 35 acres) to a point that is 450.00 feet east of the west line of the aforesaid east half of the southeast quarter; thence north on a line at a right angle to the last described line a distance of 51.5 feet; thence west on a line at a right angle to the last described line and parallel to the south line of the aforesaid southeast quarter a distance of 450.00 feet, more or less, to the west line of the east half of the southeast quarter of said Section 33, including that part falling in West 87<sup>th</sup> Street.

Parcel II.

That part of the northeast quarter and the east half of the northwest quarter of Section 4, Township 37 North, Range 14, East of the Third Principal Meridian in Cook County, Illinois lying northerly of the southerly line, and said southerly line extended, of West 87<sup>th</sup> Street, west of a line 304 feet (measured at right angles thereto) west of the east line of said northeast quarter section and east of the west line of South Parnell Avenue.

Parcel III.

That part of the west half of the southeast quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the south line, and said south line extended west, of Lots 4 and 14 in Seymour Estate Subdivision (a subdivision of the west half of the said southeast quarter), and including West 87<sup>th</sup> Street and South Holland Road falling within,

excepting therefrom that portion of the above described land lying south and adjoining Lots 4 and 14 in said Seymour Estate Subdivision bounded as follows:

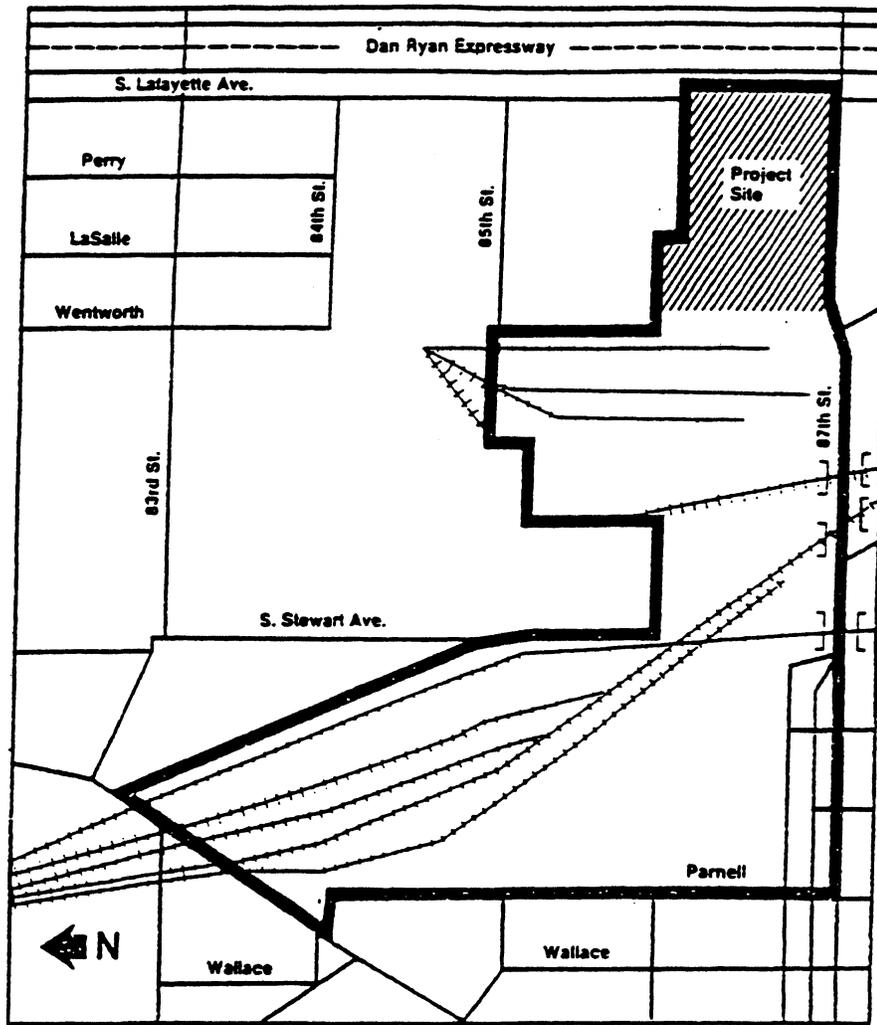
commencing on a point on the centerline of South Stewart Avenue extended southerly, which point is also on the southerly line of said Lot 4, extended westerly; thence easterly along said extended line and the southerly lines of said Lots 4 and 14, 815 feet, more or less; thence southerly at right angles to the last described line 125 feet, more or less; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, a distance of 500 feet; thence southerly on a line at right angles to the last described line, a distance of 625.00 feet; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, 312.50 feet, more or less, to a point on the easterly boundary line of the C. & W.I. Railroad right-of-way; thence northwesterly along said line until intersecting with the line of the centerline of South Stewart Avenue extended southerly; thence northerly until reaching the point of beginning.

#### Parcel IV.

That part of the east half of the west half of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois lying southwesterly of the northerly line of West 83<sup>rd</sup> Street, and said northerly line extended northwesterly to the westerly line of Vincennes Avenue and southeasterly of the westerly line of South Vincennes Avenue, excepting thereof those parts falling in Blocks 1 and 3 of William O. Cole's South Englewood Park Subdivision, a subdivision of that part of South Englewood known on the original plat as Steven A. Newman's private grounds in the east half of the southwest quarter of said section recorded September 11, 1873, Book 5, page 99 and Block 17 of the plat of part of South Englewood, a subdivision of that portion of said section, which lies west and southwest of Holland Settlement Road and south and southeast of Vincennes Avenue and east of the centerline of the C.R.I. & P.R.R. recorded January 16, 1873, Book 3, page 80, and those parts of West 85<sup>th</sup> Street, West 86<sup>th</sup> Street and West 87<sup>th</sup> Street which lie west of the west line, and said west line extended, of South Parnell Avenue, including those parts falling in West 83<sup>rd</sup> Street, West 84<sup>th</sup> Street, West 87<sup>th</sup> Street and South Vincennes Avenue, and including all those other streets and alleys, dedicated or otherwise, falling within said land or which may revert to the public in the future; but excepting therefrom the parcel of land bounded as follows: by the easterly boundary line of the C. & W.I. Railroad right-of-way, the northerly line of South Vincennes Avenue, the northerly line of West 83<sup>rd</sup> Street and the westerly line of South Stewart Avenue (consisting of approximately 8.2206 acres, more or less).

Figure 1.  
(To Original Plan And Project For Chatham  
Ridge Redevelopment Project Area)

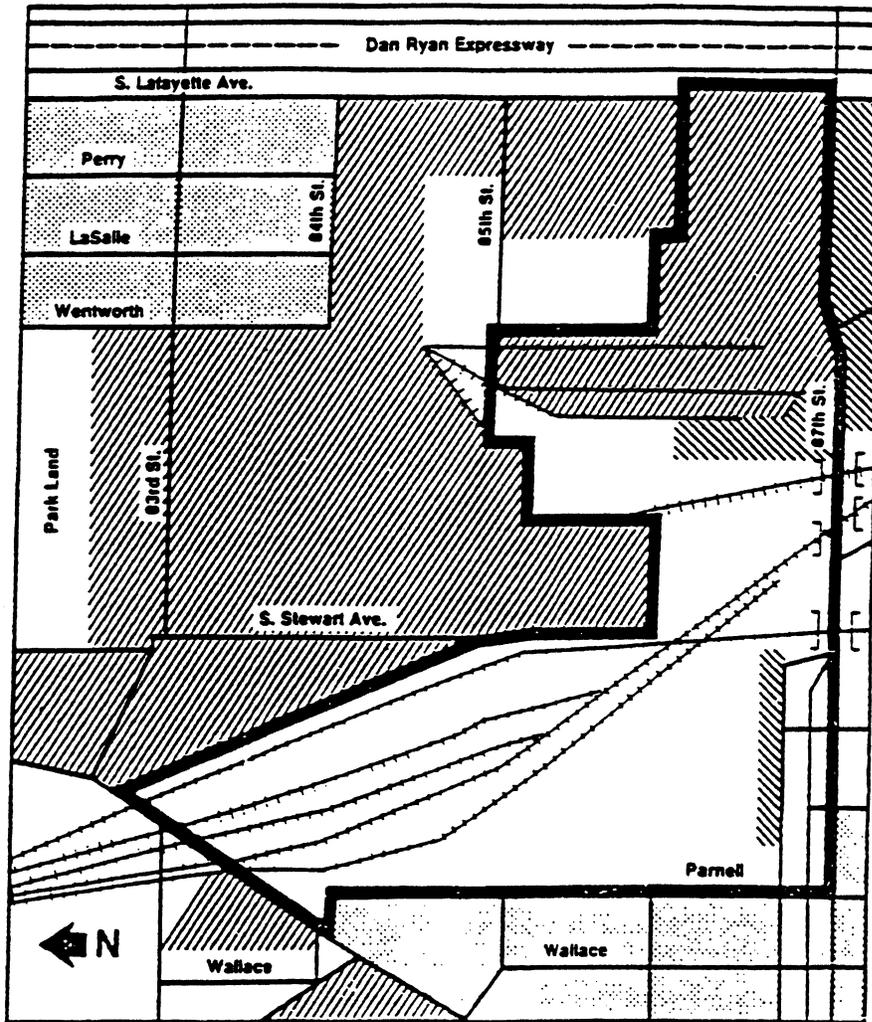
Project Site.



- KEY**
- Redevelopment Area
  - ▨ Project Site  
(is within Redevelopment Area)
  - - - Railroad

Figure 2.  
(To Original Plan And Project For Chatham  
Ridge Redevelopment Project Area)

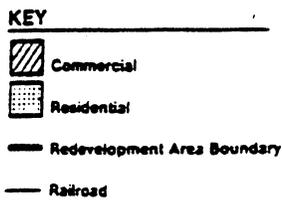
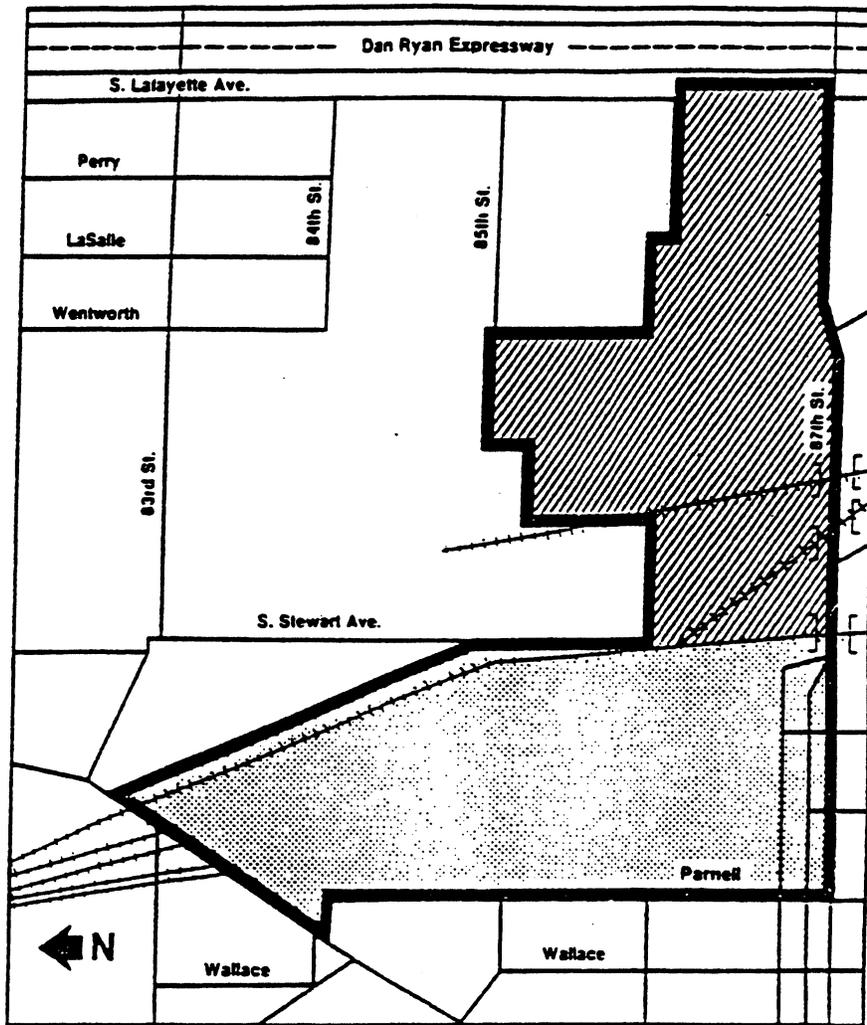
Existing Land Uses.



- KEY**
-  Redevelopment Area
  -  Residential
  -  Commercial
  -  Industrial
  -  Vacant
  -  Railroad

Figure 3.  
(To Original Plan And Project For Chatham  
Ridge Redevelopment Project Area)

Future Land Uses.



*Appendix "B" -- (Sub)Exhibit "A".*  
 (To Original Plan And Project For Chatham  
 Ridge Redevelopment Project Area)

*Chatham Ridge Project Site Estimated Annual Sales Volume  
 Per Square Foot For The First Two Years.*

	STORE TYPE (1)	SQUARE FEET (1)	ANNUAL SALES VOLUME PER SQUARE FOOT (2)	
			1988	1989
Tenant A	Fast food	2,250	\$170	\$179
Tenant B	Fast food	3,000	170	179
Tenant C	Fast Food	3,000	170	179
Tenant E	Small	17,400	145	152
Tenant F	Grocery	74,550	310	326
Tenant G	Paint	10,800	115	121
Tenant H	Appliance	24,950	125	131
Tenant J	Drug	13,000	150	158
Tenant K	Toy	36,792	90	95
TOTAL		185,742		

- (1) Store mix and store size information was provided by First National Realty.
- (2) Sales volumes are based on an industry trade publication, "Dollars and Cents of Shopping Centers", which provides sales statistics by shopping center size and by store type. A five percent inflation rate is assumed in the annual sales estimates after 1988. There are only six months of operation in 1988.

*Appendix "B" -- (Sub)Exhibit "B".  
(To Original Plan And Project For Chatham  
Ridge Redevelopment Project Area)*

*Chatham Ridge Project Site Estimated Sales Volume  
And Tax Revenue For Tax Increment Financing.*

	1988	1989	1990	1991	1992
Tenant A	\$191,250	\$402,750	\$422,888	\$444,032	\$466,233
Tenant B	255,000	537,000	563,850	592,043	621,645
Tenant C	255,000	537,000	563,850	592,043	621,645
Tenant E	1,261,500	2,644,800	2,777,040	2,915,892	3,061,687
Tenant F	11,555,250	24,303,300	25,518,465	26,794,388	28,134,108
Tenant G	621,000	1,306,800	1,372,140	1,440,747	1,512,784
Tenant H	1,559,375	3,268,450	3,431,873	3,603,466	3,783,639
Tenant J	975,000	2,054,000	2,156,700	2,264,535	2,377,762
Tenant K	1,655,640	3,495,240	3,670,002	3,853,502	4,046,177
<b>Total Sales</b>	<b>\$18,329,015</b>	<b>\$38,549,340</b>	<b>\$40,476,807</b>	<b>\$42,500,647</b>	<b>\$44,625,680</b>
Food and Drug Sales (1)	11,701,500	24,611,400	25,841,970	27,134,069	28,490,772
Sales Tax Revenue at 1%	117,015	246,114	258,420	271,341	284,908
All Other Sales	6,627,515	13,937,940	14,634,837	15,366,578	16,134,908
Sales Tax Revenue at 6%	397,651	836,276	878,090	921,995	968,094
<b>Total Sales Tax Revenue (2)</b>	<b>\$514,666</b>	<b>\$1,082,390</b>	<b>\$1,136,510</b>	<b>\$1,193,336</b>	<b>\$1,253,002</b>

(1) This category equals all sales for Tenant F (grocery) and 15% of sales for Tenant J (drug).

(2) The entire sales tax revenue shown above is assumed to be available for funding T.I.F. bonds.

*Appendix "B" -- (Sub)Exhibit "C".*  
 (To Original Plan And Project For Chatham  
 Ridge Redevelopment Project Area)

*Chatham Ridge Project Site Estimated Real Estate Tax Revenue And  
 Incremental Revenue Available For Tax Increment Financing.*

	1987	1988	1989	1990	1991
Estimated RE Tax Revenue Collected from New Development	78,000	376,300	674,900	708,600	744,100
Plus Construction Period RE Tax Revenue	78,000	108,000	0	0	0
Equals Total RE Tax Revenue	78,000	484,300	674,900	708,600	744,100
Existing RE Tax Revenue Base	91,100	91,100	91,100	91,100	91,100
Incremental RE Tax Revenue	(\$13,100)	\$393,200	\$583,800	\$617,500	\$653,000

Notes: (1) Tax revenue is assumed to increase 5% annually.  
 (2) There are only 6 months of operation assumed in 1988 during which an average occupancy of 90% is assumed.  
 (3) The tax revenue base is fixed unless the tax rate increases.

*Appendix "D".*

(To Chatham Ridge Tax Increment Financing Redevelopment  
Plan And Project Area Amendment Number 2)

*Amendment Number 1 To Chatham Ridge  
Redevelopment Plan And Project.*

*July, 1996*

The Chatham Ridge Redevelopment Area's Redevelopment Plan and Project (the "Plan") of the City of Chicago approved by ordinance of the City Council on December 18, 1996 is hereby amended by revising Exhibit 1 ("Estimated Project Development Costs") as follows:

**Amendment Number 1 To The Redevelopment  
Project And Plan.**

<b>Original Estimated Project Development Items</b>	<b>Original Estimated Costs</b>	<b>Amended Project Development Items</b>	<b>Amended Project Costs</b>
Building Acquisition	\$2,000,000	Property Assembly Land Acquisition Demolition Site Preparation Environmental Remediation	\$10,500,000
Public Improvements	923,000	Public Improvements	5,000,000
Site Preparation	1,668,000	Delete	0
Tenant Improvements/ Relocation	100,000	Relocation	500,000
Architect and Engineer	61,600	Delete	0

Original Estimated Project Development Items	Original Estimated Costs	Amended Project Development Items	Amended Project Costs
Other Professional Fees	300,000	Professional Services (Studies, Plans, Surveys, Administration, Legal, Architectural and Engineering Environmental Audits, et cetera)	\$ 1,500,000
City Administration Expenses	100,000	Delete	0
Financing Expenses	1,117,000	Interest	2,000,000
No Category Listed	0	Rehabilitation	5,000,000
No Category Listed	0	Job Training	500,000
TOTAL:	\$6,269,000	TOTAL:	\$25,000,000*

*Exhibit "B".*  
(To Ordinance)

*Community Development Commission  
Of The City Of Chicago*

*Resolution 02-CDC-16*

*Recommending To The City Council Of The City Of Chicago  
For The Proposed Chatham Ridge Amendment Number 2  
Redevelopment Project Area:*

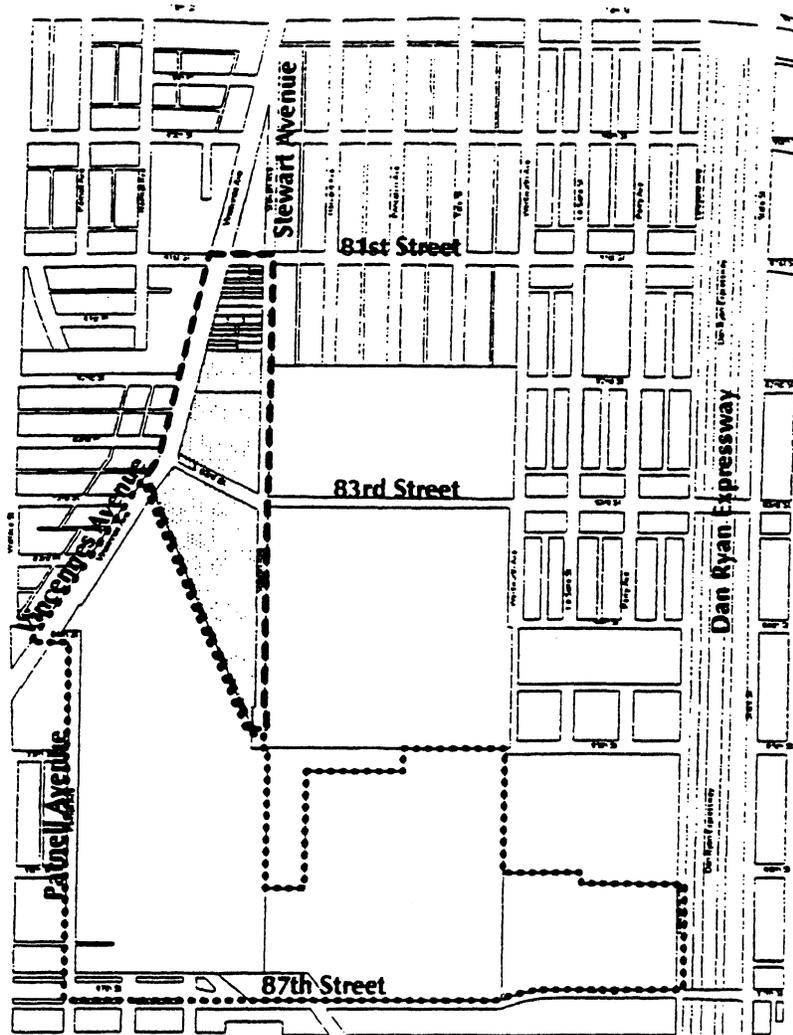
(Continued on page 81751)

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\* Note: The total redevelopment project costs provide an upper limit on expenditures (exclusive of capitalized interest, issuance costs and other financing costs). Within this limit, adjustments may be made in line items without further amendment to Revised Exhibit Number 1. Line items and/or estimated redevelopment project costs are revisions to Exhibit Number 1 in the original Plan.

Figure "A".  
(To Chatham Ridge Tax Increment Financing Redevelopment  
Plan And Project Amendment Number 2)

Amended Area.



Legend

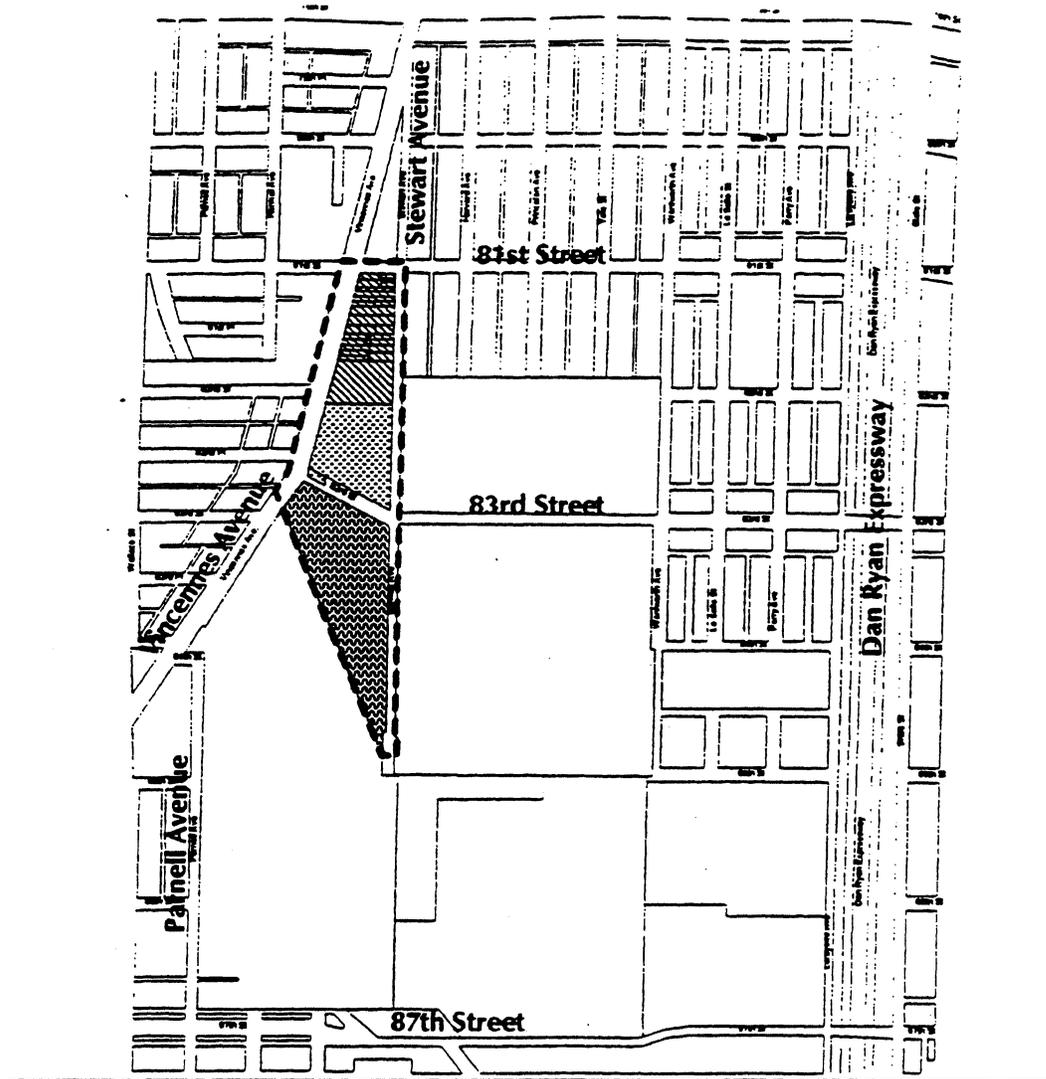
-  Amended Area Boundary
-  Original Redevelopment Area Boundary
-  Parcels within the Amended Area

November 200



Figure "B".  
(To Chatham Ridge Tax Increment Financing Redevelopment  
Plan And Project Amendment 2)

Existing Land Uses Within The Amended Area.



Legend

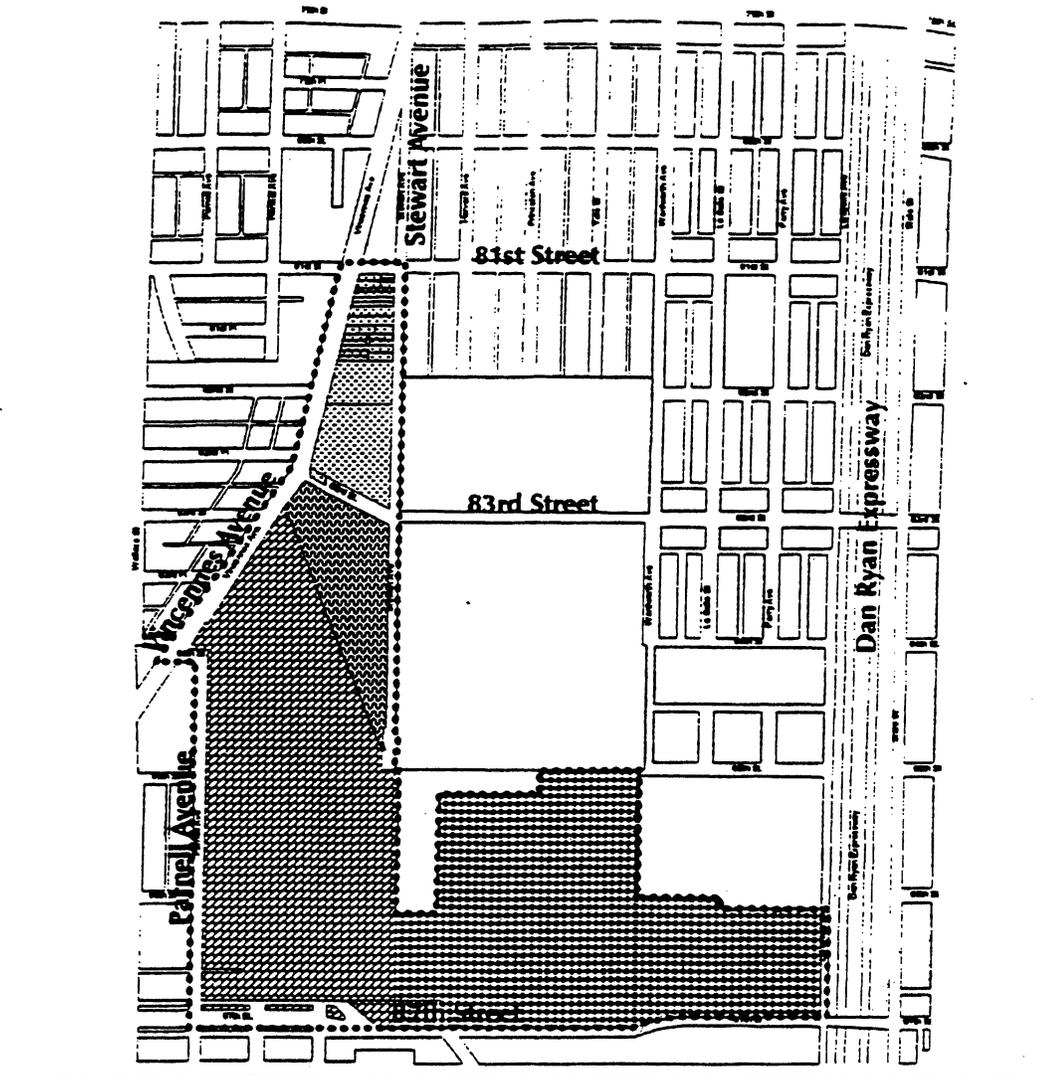
-  Amended Area Boundary
-  Vacant Land
-  Institutional Use
-  Industrial Use

November 2001



Figure "D".  
(To Chatham Ridge Tax Increment Financing Redevelopment  
Plan And Project Amendment Number 2)

Future Land-Use Plan.



Legend

-  Chatham Ridge Redevelopment Area Boundary
-  Residential Use
-  Commercial Use
-  Industrial/Mixed Use
-  Institutional Use

December 200



(Continued from page 81747)

*Approval Of An Amended Redevelopment Plan,*

*Designation Of An Expanded Redevelopment Project Area*

*And*

*Adoption Of Tax Increment Allocation Financing.*

Whereas, The Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council ("City Council", referred to herein collectively with the Mayor as the "Corporate Authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1, et seq. (the "Act")); and

Whereas, The Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Act, including the holding of certain public hearings required by the Act; and

Whereas, Staff of the City's Department of Planning and Development has conducted or caused to be conducted certain investigations, studies and surveys of the Chatham Ridge Amendment Number 2 Redevelopment Project Area, the street boundaries of which are described on (Sub)Exhibit A hereto (the "Amended Area"), to determine the eligibility of the Area as a redevelopment project area as defined in the Act (a "Redevelopment Project Area") and for tax increment allocation financing pursuant to the Act ("Tax Increment Allocation Financing"), and previously has presented the following documents to the Commission for its review:

Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment Number 2 (including the Eligibility Study (the "Amended Plan"), and

Whereas, Prior to the adoption by the Corporate Authorities of ordinances approving a redevelopment plan, designating an area as a Redevelopment Project Area or adopting Tax Increment Allocation Financing for an area, it is necessary that the Commission hold a public hearing (the "Hearing") pursuant to Section 5/11-74.4-5(a) of the Act, convene a meeting of a joint review board (the "Board") pursuant to Section 5/11-74.4-5(b) of the Act, set the dates of such

Hearing and Board meeting and give notice thereof pursuant to Section 5/11-74.4-6 of the Act; and

Whereas, The Plan was made available for public inspection and review since December 5, 2001, being a date not less than ten (10) days before the Commission meeting at which the Commission adopted Resolution 01-CDC-114 on December 18, 2001 fixing the time and place for the Hearing, at City Hall, 121 North LaSalle Street, Chicago, Illinois, in the following offices: City Clerk, Room 107 and Department of Planning and Development, Room 1000; and

Whereas, Notice of the availability of the Plan, including how to obtain this information, was sent by mail on December 26, 2001, which is within a reasonable time after the adoption by the Commission of Resolution 01-CDC-114 to: (a) all residential addresses that, after a good faith effort, were determined to be: (i) located within the Area and (ii) located within seven hundred fifty (750) feet of the boundaries of the Area (or, if applicable, were determined to be the seven hundred fifty (750) residential addresses that were closest to the boundaries of the Area); and (b) organizations and residents that were registered interested parties for such Area; and

Whereas, Notice of the Hearing by publication was given at least twice, the first (1<sup>st</sup>) publication being on January 15, 2002, a date which is not more than thirty (30) nor less than ten (10) days prior to the Hearing, and the second publication being on January 22, 2002, both in the *Chicago Sun-Times* or the *Chicago Tribune*, being newspapers of general circulation within the taxing districts having property in the Area; and

Whereas, Notice of the Hearing was given by mail to taxpayers by depositing such notice in the United States mail by certified mail addressed to the persons in whose names the general taxes for the last preceding year were paid on each lot, block, tract or parcel of land lying within the Area, on January 22, 2002, being a date not less than ten (10) days prior to the date set for the Hearing; and where taxes for the last preceding year were not paid, notice was also mailed to the persons last listed on the tax rolls as the owners of such property within the preceding three (3) years; and

Whereas, A good faith effort was made to give notice of the Hearing by mail to all residents of the Area by, at a minimum, giving notice by mail to each residential address located in the Area, which to the extent necessary to effectively communicate such notice was given in English and in the predominant language of residents of the Area other than English on January 22, 2002, being a date not less than ten (10) days prior to the date set for the Hearing; and

Whereas, Notice of the Hearing was given by mail to the Illinois Department of Commerce and Community Affairs ("D.C.C.A.") and members of the Board (including notice of the convening of the Board), by depositing such notice in the United States mail by certified mail addressed to D.C.C.A. and all Board members, on December 19, 2001, being a date not less than forty-five (45) days prior to the date set for the Hearing; and

Whereas, Notice of the Hearing and a copy of the Plan were sent by mail to taxing districts having taxable property in the Area, by depositing such notice and documents in the United States mail by certified mail addressed to all taxing districts having taxable property within the Area, on December 19, 2001, being a date not less than forty-five (45) days prior to the date set for the Hearing; and

Whereas, The Hearing was held on February 5, 2002 at 1:00 P.M. at City Hall, Room 201, 121 North LaSalle Street, Chicago, Illinois, as the official public hearing, and testimony was heard from all interested persons or representatives of any affected taxing district present at the Hearing and wishing to testify, concerning the Commission's recommendation to City Council regarding approval of the Plan, designation of the Area as a Redevelopment Project Area and adoption of Tax Increment Allocation Financing within the Area; and

Whereas, The Board meeting was convened on January 11, 2002 at 10:00 A.M. (being a date at least fourteen (14) days but not more than twenty-eight (28) days after the date of the mailing of the notice to the taxing districts on December 19, 2001) in Room 1003A, City Hall, 121 North LaSalle Street, Chicago, Illinois, to review the matters properly coming before the Board to allow it to provide its advisory recommendation regarding the approval of the Plan, designation of the Area as a Redevelopment Project Area, adoption of Tax Increment Allocation Financing within the Area and other matters, if any, properly before it, all in accordance with Section 5/11-74.4-5(b) of the Act; and

Whereas, The Commission has reviewed the Plan, considered testimony from the Hearing, if any, the recommendation of the Board, if any, and such other matters or studies as the Commission deemed necessary or appropriate in making the findings set forth herein and formulating its decision whether to recommend to City Council approval of the Plan, designation of the Area as a Redevelopment Project Area and adoption of Tax Increment Allocation Financing within the Area; now, therefore,

Be It Resolved By The Community Development Commission Of The City Of Chicago:

Section 1. The above recitals are incorporated herein and made a part hereof.

Section 2 The Commission hereby makes the following findings pursuant to Section 5/11-74.4-3(n) of the Act or such other section as is referenced herein:

a. the Area on the whole has not been subject to growth and development through investment by private enterprise and would not reasonably be expected to be developed without the adoption of the Plan;

b. the Plan:

(i) conforms to the comprehensive plan for the development of the City as a whole; or

(ii) either: (A) conforms to the strategic economic development or redevelopment plan issued by the Chicago Plan Commission, or (B) includes land uses that have been approved by the Chicago Plan Commission;

c. the Plan meets all of the requirements of a redevelopment plan as defined in the Act and, as set forth in the Plan, the estimated date of completion of the projects described therein and retirement of all obligations issued to finance redevelopment project costs is not later than December 31 of the year in which the payment to the municipal treasurer as provided in subsection (b) of Section 5/11-74.4-8 of the Act is to be made with respect to ad valorem taxes levied in the twenty-third (23<sup>rd</sup>) calendar year following the year of the adoption of the ordinance approving the designation of the Area as a redevelopment project area and, as required pursuant to Section 5/11-74.4-7 of the Act, no such obligation shall have a maturity date greater than twenty (20) years;

d. to the extent required by Section 5/11-74.4-3(n) (6) of the Act, the Plan incorporates the housing impact study, if such study is required by Section 5/11-74.4-3(n)(5) of the Act;

e. the Area includes only those contiguous parcels of real property and improvements thereon that are to be substantially benefitted by proposed Plan improvements, as required pursuant to Section 5/11-74.4-4(a) of the Act;

f. as required pursuant to Section 5/11-74.4-3(p) of the Act:

(i) the Area is not less, in the aggregate, than one and one-half (1½) acres in size; and

(ii) conditions exist in the Area that cause the Area to qualify for designation as a redevelopment project area and a conservation area as defined in the Act;

g. if the Area is qualified as a "blighted area", whether improved or vacant, each of the factors necessary to qualify the Area as a Redevelopment Project Area on that basis is: (i) present, with that presence documented to a meaningful extent so that it may be reasonably found that the factor is clearly present within the intent of the Act, and (ii) reasonably distributed throughout the improved part or vacant part, as applicable, of the Area as required pursuant to Section 5/11-74.4-3(a) of the Act.

Section 3. The Commission recommends that the City Council approve the Plan pursuant to Section 5/11-74.4-4 of the Act.

Section 4. The Commission recommends that the City Council designate the Area as a Redevelopment Project Area pursuant to Section 5/11-74.4-4 of the Act.

Section 5. The Commission recommends that the City Council adopt Tax Increment Allocation Financing within the Area.

Section 6. If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.

Section 7. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 8. This resolution shall be effective as of the date of its adoption.

Section 9. A certified copy of this resolution shall be transmitted to the City Council.

Adopted: February 5, 2002.

(Sub)Exhibit "A" referred to in this Resolution 02-CDC-16 reads as follows:

*(Sub)Exhibit "A".*

*Street Boundary Description Of Chatham Ridge  
Redevelopment Project Area.*

The Area is made up of 22.5 acres on 29. It is irregularly shaped and is generally bounded by West 85<sup>th</sup> Street on the south, South Stewart Avenue on the east, West 81<sup>st</sup> Street on the north, and South Vincennes Avenue on the west.

*Exhibit "C".  
(To Ordinance)*

*Legal Description Of Chatham Ridge  
Redevelopment Project Area.*

Parcel I.

That part of the south 35.00 acres (except the east 304 feet as measured at right angles to the east line thereof) of the east half of the southeast quarter of Section 33, Township 39 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the following described line:

commencing at a point in the east line of the aforesaid southeast quarter that is 629.10 feet north of the southeast corner of the aforesaid Section 33; thence west in a line parallel to the south line of the aforesaid southeast quarter (being the north line of the south 300 feet of the north 25.00 acres of the said south 35 acres) to a point that is 450.00 feet east of the west line of the aforesaid east half of the southeast quarter; thence north on a line at a right angle to the last described line, a distance of 51.5 feet; thence west on a line at a right angle to the last described line and parallel to the south line of the aforesaid southeast quarter, a distance of 450.00 feet, more or less, to the west line of the east half of the southeast quarter of said Section 33, including that part falling in West 87<sup>th</sup> Street.

Parcel II.

That part of the northeast quarter and the east half of the northwest quarter of Section 4, Township 37 North, Range 14, East of the Third Principal Meridian in Cook County, Illinois lying northerly of the southerly line, and said southerly line extended, of West 87<sup>th</sup> Street, west of a line 304 feet (measured at right angles thereto) west of the east line of said northeast quarter section and east of the west line of South Parnell Avenue.

Parcel III.

That part of the west half of the southeast quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, lying south of the south line, and said south line extended west, of Lots 4 and 14 in Seymour Estate Subdivision (a subdivision of the west half of the said southeast quarter) and including West 87<sup>th</sup> Street and South Holland Road falling within, excepting therefrom that portion of the above described land lying south and adjoining Lots 4 and 14 in said Seymour Estate Subdivision bounded as follows:

commencing on a point on the centerline of South Stewart Avenue extended southerly, which point is also on the southerly line of said Lot 4, extended westerly; thence easterly along said extended line and the southerly lines of said Lots 4 and 14, 815 feet, more or less; thence southerly at right angles to the last described line 125 feet, more or less; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, a distance of 500 feet; thence southerly on a line at right angles to the last described line, a distance of 625.00 feet; thence westerly on a line parallel to the southerly line of said Lots 4 and 14, 312.50 feet, more or less, to a point on the easterly boundary line of the C. & W.I. Railroad right-of-way; thence northwesterly along said line until intersecting with the line of the centerline of South Stewart Avenue extended southerly; thence northerly until reaching the point of beginning.

Parcel IV.

That part of the east half of the west half of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois lying southwesterly of the northerly line of West 83<sup>rd</sup> Street, and said northerly line extended northwesterly to the westerly line of South Vincennes Avenue and southeasterly of the westerly line of South Vincennes Avenue, excepting thereof those parts falling in Blocks 1 and 3 of William O. Cole's South Englewood Park

Subdivision, a subdivision of that part of South Englewood known on the original plat as Steven A. Newman's private grounds in the east half of the southwest quarter of said section recorded September 11, 1873, Book 5, page 99 and Block 17 of the plat of part of South Englewood, a subdivision of that portion of said section, which lies west and southwest of Holland Settlement Road and south and southeast of South Vincennes Avenue and east of the centerline of the C.R.I. & P.R.R. recorded January 16, 1873, Book 3, page 80, and those parts of West 85<sup>th</sup> Street, West 86<sup>th</sup> Street and West 87<sup>th</sup> Street which lie west of the west line, and said west line extended, of South Parnell Avenue including those parts falling in West 83<sup>rd</sup> Street, West 84<sup>th</sup> Street, West 87<sup>th</sup> Street and South Vincennes Avenue, and including all those other streets and alleys, dedicated or otherwise, falling within said land or which may revert to the public in the future; but excepting therefrom the parcel of land bounded as follows: by the easterly boundary line of the C. & W.I. Railroad right-of-way, the northerly line of South Vincennes Avenue, the northerly line of West 83<sup>rd</sup> Street and the westerly line of South Stewart Avenue (consisting of approximately 8.2206 acres, more or less).

Parcel V.

That part of the east half of the northwest quarter, west half of the northeast quarter, west half of the southeast quarter and east half of the southwest quarter of Section 33, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois, described as follows:

beginning at a point in the easterly boundary line of the C. & W.I. Railroad right-of-way, said point being 25.00 feet northwesterly of the original southeasterly line of South Vincennes Avenue in the east half of the northwest quarter of said Section 33, said point also being 974.79 feet northeasterly (as measured along said 25.00 feet northwesterly of the original southeasterly line of South Vincennes Avenue) of the north line of West 84<sup>th</sup> Street; thence southeasterly along said easterly boundary line of C. & W.I. Railroad a distance of 1,395.39 feet to a deflection point; thence southeasterly by making an angle of 171 degrees, 52 minutes, 35 seconds to the right (as measured from northwest to southeast), a distance of 33.26 feet; thence east along a line perpendicular to the east line of South Stewart Avenue to the east line (as widened) of said South Stewart Avenue; thence north along said east line (as widened) of South Stewart Avenue a distance of 100.00 feet; thence west 13.00 feet to the original east line of said South Stewart Avenue; thence north along said original east line of South Stewart Avenue to the south line of West 83<sup>rd</sup> Street; thence continuing north

across said West 83<sup>rd</sup> Street to the intersection of the north line of said West 83<sup>rd</sup> Street and the east line of South Stewart Avenue; thence north along said east line of South Stewart Avenue to the north line of West 81<sup>st</sup> Street; thence west along the north line (extended east and west) of said West 81<sup>st</sup> Street to the westerly line of South Vincennes Avenue; thence southerly along the westerly line of said South Vincennes Avenue to a deflection point (south of West 82<sup>nd</sup> Place); thence southwesterly along the southwesterly line of said South Vincennes Avenue to the north line of 16 foot wide public alley (north of West 83<sup>rd</sup> Street); thence southeasterly across South Vincennes Avenue to the point of beginning, all in Cook County, Illinois.

*Exhibit "D".*  
(To Ordinance)

*Street Location Of The Expanded Area.*

Street Location Of The Original Redevelopment Project Area.

The Original Redevelopment Project Area is bounded by the south boundary line of West 87<sup>th</sup> Street; the western boundary line of South Parnell Avenue; the south boundary line of West 84<sup>th</sup> Street; the west boundary line of South Vincennes Avenue; the easterly line of the right-of-way for the C. & W.I. Railway line; the southern boundary of the Ryerson Steel Plant facilities; the western and southern boundary lines of lands used for the Johnson Products distribution facility; and the west line of the Dan Ryan Expressway.

Street Location Of The Added Area.

The Added Area is bounded by West 81<sup>st</sup> Street on the north, South Stewart Avenue on the east, the railroad right-of-way on the south and South Vincennes Avenue on the west.



**NEW ISSUE – BOOK ENTRY ONLY**

*Subject to compliance by the City with certain covenants, in the opinion of Schiff Hardin & Waite and Pugh, Jones & Johnson, P.C., Co-Bond Counsel, under present law, interest on the Series 2002 Bonds is not includible in gross income for federal income tax purposes and thus is exempt from federal income taxes based on gross income. Interest on the Series 2002 Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but will be taken into account in computing the corporate alternative minimum tax. Interest on the Series 2002 Bonds is not exempt from present Illinois income tax. See the discussion under the caption “TAX EXEMPTION.”*



**\$17,935,000**  
**CITY OF CHICAGO**  
**Tax Increment Allocation Bonds**  
**(Chatham Ridge Redevelopment Project)**  
**Series 2002**

**Dated:** September 15, 2002

**Due:** As shown on the inside cover page

The Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002 (the “Series 2002 Bonds”) will be issued in fully registered form in denominations as set forth herein pursuant to a Trust Indenture dated as of September 15, 2002 from the City of Chicago (the “City”) to BNY Midwest Trust Company, as trustee (the “Trustee”). The Depository Trust Company, New York, New York (“DTC”), will act as the securities depository for the Series 2002 Bonds and its nominee will be the Owner of the Series 2002 Bonds. Individual purchases of the Series 2002 Bonds will be recorded on a book-entry only system operated by DTC. See the caption “DESCRIPTION OF THE SERIES 2002 BONDS - Book-Entry System.”

The Series 2002 Bonds will be issued in denominations of \$5,000. The Series 2002 Bonds will bear interest from their dated date, payable on each June 15 and December 15, commencing June 15, 2003. Principal of the Series 2002 Bonds is payable at maturity. The Series 2002 Bonds are not subject to redemption prior to maturity. The Series 2002 Bonds are limited obligations of the City.

Proceeds of the Series 2002 Bonds will be used for the purposes of: (i) paying a portion of the Project Costs; (ii) paying certain expenses incurred in connection with the issuance of the Series 2002 Bonds; (iii) funding the Reserve and Redemption Account with respect to the Series 2002 Bonds; and (iv) refunding in advance of their maturity the outstanding Chatham Ridge Tax Increment Revenue Bonds, Series 1987 (the “Series 1987 Bonds”). See the caption “PLAN OF FINANCING.”

THE SERIES 2002 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE SERIES 2002 BONDS WILL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY OTHER POLITICAL SUBDIVISION THEREOF, FOR ANY PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE SERIES 2002 BONDS.

AN INVESTMENT IN THE SERIES 2002 BONDS INVOLVES THE ASSUMPTION OF CERTAIN RISKS BY THE BONDOWNERS. SEE THE CAPTION “BONDOWNERS’ RISKS.”

*The Series 2002 Bonds are offered when, as, and if issued by the City, subject to the delivery of the legal opinions of Schiff Hardin & Waite, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel and for the Underwriters by their co-counsel, Shefsky & Froelich Ltd., Chicago, Illinois, and Charity & Associates, P.C., Chicago, Illinois. It is expected that the Series 2002 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about September 24, 2002.*

**Legg Mason Wood Walker**  
Incorporated

**Berean Capital, Inc.**

Dated: September 10, 2002

**MATURITY SCHEDULE**

**\$17,935,000 Series 2002 Bonds**

<b><u>Maturity</u></b> <b><u>(December 15)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>
2003	\$960,000	3.30%	3.34%
2004	1,300,000	3.70	3.73
2005	1,380,000	4.05	4.07
2006	1,435,000	4.40	4.42
2007	1,495,000	4.70	4.74
2008	1,595,000	5.00	5.04
2009	1,560,000	5.40	5.41
2010	1,645,000	5.60	5.62
2011	1,965,000	5.75	5.77
2012	1,025,000	5.95	5.95
2013	3,575,000	6.05	6.09

(Accrued interest from September 15, 2002 to be added)

CITY OF CHICAGO

MAYOR

Richard M. Daley

CITY TREASURER

Judith C. Rice

CITY CLERK

James J. Laski

CITY COUNCIL COMMITTEE ON FINANCE

Edward M. Burke, Chairman

CITY COMPTROLLER

Tariq Malhance

BUDGET DIRECTOR

William F. Abolt

DEPARTMENT OF PLANNING AND DEVELOPMENT

Alicia Mazur Berg, Commissioner

CORPORATION COUNSEL

Mara S. Georges

CO-BOND COUNSEL

Schiff Hardin & Waite

Pugh, Jones & Johnson, P.C.

CONSULTANT

Johnson Research Group, Inc.

FINANCIAL ADVISOR

Kathleen A. Thomas

This Official Statement does not constitute an offer to sell the Series 2002 Bonds in any jurisdiction to any person to whom it is unlawful to make an offer in that jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2002 Bonds, and, if given or made, such other information or representations must not be relied upon. The delivery of this Official Statement at any time does not imply that the information or opinions in this Official Statement are correct as of any time subsequent to its date. Information set forth in this Official Statement has been obtained by the Underwriters from the City, the Consultant, DTC, and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. All expressions of opinion in this Official Statement whether or not so stated as such are intended merely as such and not as representations of fact. No statement in this Official Statement is to be considered as a contract with any purchaser or Owner of the Series 2002 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City's beliefs as well as assumptions made by, and information currently available to, the City. These statements are subject to risks, uncertainties and assumptions, some of which are described under the caption "Bondowners' Risks" herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

No representation is made regarding whether the Series 2002 Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

Neither the delivery of this Official Statement nor any sale under this Official Statement shall, under any circumstances, create any implication that there has been no change in the redevelopment project described in this Official Statement or in the affairs of the City or any other party since the dates as of which information is given.

The Series 2002 Bonds will not be registered under the Securities Act of 1933, as amended, pursuant to an exemption from the registration requirement of said act, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental regulatory entity will have passed upon the accuracy or adequacy of this Official Statement or, other than the authorizing action by the City, approved the Series 2002 Bonds for sale. Any representation to the contrary may be a criminal offense.

In connection with the issuance of the Series 2002 Bonds, the City will enter into a Continuing Disclosure Undertaking. See the caption "SECONDARY MARKET DISCLOSURE."

IN CONNECTION WITH THE OFFERING OF THE SERIES 2002 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2002 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE UNDERWRITERS ARE NOT OBLIGATED TO TAKE SUCH ACTIONS, AND SUCH STABILIZING ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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# **OFFICIAL STATEMENT**

**\$17,935,000  
CITY OF CHICAGO**

## **TAX INCREMENT ALLOCATION BONDS**

**(CHATHAM RIDGE REDEVELOPMENT PROJECT)**

**SERIES 2002**

### **INTRODUCTION**

This Official Statement, including the cover page, the inside cover page and Appendices, sets forth information concerning the City of Chicago (the “City”) and the City’s \$17,935,000 Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002 (the “Series 2002 Bonds”). The Series 2002 Bonds are being issued under and pursuant to the Tax Increment Allocation Redevelopment Act, Section 11-74.4-1 et seq. of the Illinois Municipal Code, as supplemented and amended (the “Act”), an ordinance adopted by the City Council of the City on May 29, 2002 (the “Ordinance”) and a Trust Indenture dated as of September 15, 2002 from the City to BNY Midwest Trust Company, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture dated as of September 15, 2002 (the “First Supplemental Indenture”) from the City to the Trustee relating to the Series 2002 Bonds. The Trust Indenture and the First Supplemental Indenture are hereinafter referred to collectively as the “Indenture.” Capitalized words and terms used in this Official Statement and not defined elsewhere have the meanings set forth in APPENDIX A to this Official Statement.

The Series 2002 Bonds are limited obligations of the City, payable solely from Pledged Revenues, as described in this Official Statement, and from amounts on deposit in and pledged to certain funds and accounts established under the Indenture, subject and subordinate to any rights of the holders of the Excluded Contractual Obligations. “Pledged Revenues” consist of:

(i) incremental property taxes generated within the Chatham Ridge Redevelopment Project Area by tax levies for tax levy years through 2009 and deposited into the Incremental Taxes Fund through December 31, 2010;

(ii) a portion (specified in the Act) of incremental state sales and use taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund through December 31, 2013;

(iii) incremental municipal sales taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund through December 31, 2013; and

(iv) other legally available funds of the City (excluding funds in the Incremental Taxes Fund) which the City has covenanted to deposit into the Incremental Taxes Fund in each calendar year from 2010 through 2013, in an amount equal to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2010. See the information under the

caption, "THE INDENTURE – General Covenants – Deposit of Additional Funds into Incremental Taxes Fund."

The City's obligation to make the deposits of legally available funds under (iv), above, is a general obligation of the City and is subject to annual appropriation of the necessary amounts by the City Council. The City has covenanted to make such appropriations. No ad valorem property tax levy will be made, filed or extended and no Owner has the right to compel the City to levy any taxes to make such deposit.

The City's Chatham Ridge Redevelopment Project Area was originally designated pursuant to an ordinance adopted by the City Council on December 18, 1986, as amended on October 30, 1996 to add other eligible redevelopment project costs, on March 27, 2002 to, among other things, expand the boundaries of the Original Project Area, and on May 29, 2002 to extend the estimated date of completion of the Project and the retirement of obligations (including the Series 2002 Bonds) payable from the Incremental Taxes Fund to December 31, 2013. The Original Project Area as expanded by the March 27, 2002 ordinance is referred to in this Official Statement as the "Chatham Ridge Redevelopment Project Area." See information under the caption "CHATHAM RIDGE REDEVELOPMENT PROJECT AREA."

**INVESTMENT IN THE SERIES 2002 BONDS INVOLVES THE ASSUMPTION OF CERTAIN RISKS. SEE THE INFORMATION UNDER THE CAPTION "BONDOWNERS' RISKS."**

The summaries of, and references to, all documents, agreements, ordinances, statutes, reports or other instruments referred to in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document, agreement, ordinance, statute, report or instrument.

## **THE CITY**

The City was incorporated in 1837. The City is a municipal corporation and home rule unit of local government under the 1970 Illinois Constitution and, except as limited by the 1970 Illinois Constitution, "may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt." The General Assembly of the State may limit, by a three-fifths vote of the members elected to each legislative house, the amount of debt incurred by home rule municipalities. To date, the General Assembly has not done so.

## **CHATHAM RIDGE REDEVELOPMENT PROJECT AREA**

### **General Description**

On December 18, 1986, the City adopted the Chatham Ridge Redevelopment Area Plan and Project (the "Original Project Plan") which provided for the redevelopment of an approximately 90-acre site located on the City's south side (the "Original Project Area"). The Original Project Area generally includes the properties fronting 87th Street between the Dan Ryan Expressway and Stewart Avenue on the east, Parnell Avenue and Vincennes Avenue on

the west and 85th Street to the north. At the time the Original Project Plan was adopted, the Original Project Area was largely undeveloped. The Original Project Plan involved the construction of the Chatham Ridge Shopping Center. In connection with the Original Project Plan, in September 1988, the City issued the \$4,825,000 Chatham Ridge Tax Increment Revenue Bonds, Series 1987 (the "Series 1987 Bonds"), of which \$2,675,000 in principal amount remains outstanding.

On October 30, 1996, the City Council adopted an ordinance amending the Original Project Plan to add other eligible redevelopment project costs to the original budget. On March 27, 2002, the City Council adopted a second amendment to the Original Project Plan (the "Second Amendment"). The Second Amendment expands the boundaries of the Original Project Area to add an adjacent area of approximately 22.5 acres (the "Added Area"), increases estimated project costs and provides the estimated date of completion of the Project and the retirement of the obligations issued to finance Project Costs to December 31 of the year in which the payment to the Treasurer as provided in subsection (b) of Section 11-74.4-8 of the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year after the year in which the ordinance approving the Original Project Area was adopted (in this case being December 31, 2010). The Added Area consists of an industrial enterprise (including two buildings, parking and storage), Simeon Career Academy, a number of vacant parcels that were formerly occupied by deteriorated buildings and the adjacent rights-of-way. The inclusion of Simeon Career Academy will allow the Chicago Board of Education to benefit from development activity within the Chatham Ridge Redevelopment Project Area to support necessary capital improvements at this school. Together the Original Project Area and the Added Area comprise the "Chatham Ridge Redevelopment Project Area." The Chatham Ridge Redevelopment Project Area contains approximately 112.5 acres.

In addition to the expansion of the Original Project Area, on May 29, 2002, the City Council adopted an ordinance extending the estimated date of completion of the Project and the retirement of obligations (including the Series 2002 Bonds) payable from the Incremental Taxes Fund to December 31, 2013. During the four year extension period beginning on January 1, 2010 and ending on December 31, 2013, Pledged Revenues will consist of: (i) during year 2010, incremental property taxes, incremental state sales and use taxes, incremental municipal sales taxes and other legally available funds of the City (excluding funds in the Incremental Taxes Fund) which the City has covenanted to deposit into the Incremental Taxes Fund in calendar year 2010; and (ii) during years 2011 to 2013, incremental state sales and use taxes, incremental municipal sales taxes and other legally available funds of the City (excluding funds in the Incremental Taxes Fund) which the City has covenanted to deposit into the Incremental Taxes Fund in each calendar year beginning on January 1, 2011 and ending on December 31, 2013.

*It should be noted that under the Act (i) incremental property taxes will not be collected with respect to property within the Chatham Ridge Redevelopment Project Area and deposited into the Incremental Taxes Fund after December 31, 2010, (ii) incremental state sales and use taxes and incremental municipal sales taxes will be generated only by transactions within the Original Project Area, and (iii) the City will be entitled to receive incremental state sales and use taxes after December 31, 2009 only if the City deposits other legally available funds of the City (excluding funds in the Incremental Taxes Fund) into the Incremental Taxes Fund in each calendar year from 2010 through 2013 in an amount equal to the City's share of the property tax*

*increment deposited into the Incremental Taxes Fund in 2010. Although the City's deposits into the Incremental Taxes Fund in years 2010 through 2013 are subject to the appropriation of the necessary amounts by the City Council, the City has covenanted to make such deposits and appropriations, and such undertakings will be general obligations of the City. No Owner, however, will be able to compel the City to levy any taxes to make the deposits.*

## **Constructed and Planned Improvements**

### **Constructed Improvements**

The Chatham Ridge Redevelopment Project Area includes the Chatham Ridge Shopping Center, which is anchored by Cub Foods, Marshall's and Bally's Total Fitness, and includes approximately twenty-five other tenants including clothing/apparel stores; auto care stores; restaurants and coffee shops; jewelry, book, sports and bedding stores; banking and tax service facilities; and a healthcare facility. Additionally, a Loews Cineplex movie theater and a Home Depot store are located in separate buildings to the west of the shopping center. In January 2002, the Chatham Ridge Shopping Center had no vacancies. During spring 2002, the Super Trak auto parts store closed and vacated its premises, leaving 8,600 square feet vacant within the shopping center. The owner of the shopping center, Inland Real Estate Corporation, has stated that it is negotiating with prospective tenants to fill the vacated space.

The Chatham Ridge Shopping Center is the highest property tax producer, and second-largest sales tax producer, in the Original Project Area. Its tenants generate approximately 41% of both the total property taxes and the total sales taxes generated in the Original Project Area. The Home Depot store is the second-largest property tax revenue producer and largest sales tax producer in the Original Project Area. It generates approximately 24% of the total property taxes and 55% of the total sales taxes generated in the Original Project Area. For more information on the Chatham Ridge Shopping Center, see the information under the caption "Information on Owner and Major Tenant of Chatham Ridge Shopping Center."

In assessment year 2000, the Loews Cineplex theater accounted for approximately 23% of the total property tax generated within the Original Project Area and approximately 4% of the aggregate sales tax in the Original Project Area. The Loews Cineplex theater was developed by ICE Development, L.L.C. and Plitt Theatres, Inc. under a development agreement signed in September 1996. Thereafter, Plitt Theatres, Inc. became a subsidiary of Loews Cineplex Entertainment Corporation.

The property on which the Loews Cineplex theater is located is owned by a land trust of which LaSalle National Bank is the trustee. The property, along with two other theater properties located at 2258 West 62<sup>nd</sup> Street and 3330 West Roosevelt Road (each located outside of the Chatham Ridge Redevelopment Project Area), are pledged as collateral and secured by a mortgage held by General Electric Capital Corporation ("GE Capital"). Pursuant to a ground lease dated July 25, 1997, ICE Development leased the property from LaSalle and, on the same date, ICE Development entered into an operating agreement with Plitt Theatres whereby Plitt Theatres operated the theater. ICE Development and Plitt Theatres formed a limited liability company known as Plitt/ICE Chatham, L.L.C. in connection with a proposed redevelopment

agreement with the City relating to the theater. See the information under the caption "Redevelopment Agreements" below.

On February 15, 2001, Loews Cineplex Entertainment Corporation, along with its U.S. subsidiaries, including Plitt Theatres, Inc., filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. On September 28, 2001, Plitt/ICE Chatham, L.L.C. was dissolved by the State of Illinois for failure to file its annual report. A plan of reorganization was filed with the bankruptcy court in the bankruptcy proceeding in January 2002. This plan of reorganization was approved by the bankruptcy court on February 28, 2002, to be effective March 11, 2002. The plan of reorganization provides, among other things, that Plitt Theatres, Inc. will pay all accrued and unpaid property taxes in equal installments beginning March 11, 2003, with the final payment due no later than six years from date of the assessment of the tax claim.

In its bankruptcy proceeding, Plitt Theatres sought to reject the operating lease for the Loews Cineplex theater, over the objection of GE Capital. On May 6, 2002, ICE Development, Plitt Theatres and GE Capital entered into a settlement agreement under which Plitt Theatres is permitted to reject the operating lease for the Loews Cineplex theater. The settlement agreement was approved by the bankruptcy court on June 4, 2002. Pursuant to the settlement agreement, operation of the Loews Cineplex theater is to be transferred from Plitt Theatres to a new operator designated by GE Capital and ICE Development. As a result, ICE Development entered into an agreement with Marcus Cinemas of Minnesota and Illinois, Inc. Marcus Cinemas of Minnesota and Illinois is a subsidiary of The Marcus Corporation, a New York Stock Exchange-listed company engaged primarily in the business of owning and operating limited-service lodging facilities, movie theatres, hotels and resorts. Marcus Cinemas began operating the theater on or about May 30, 2002. As of the date of this Official Statement, Marcus Cinemas holds the operating licenses for the Loews Cineplex theater.

Additionally, pursuant to the settlement agreement, the land on which the theater is located, together with the land on which the other two theaters are located, are required to be transferred from LaSalle to ICE Development, and the properties will be subject to a new mortgage held by GE Capital having the same terms as the original mortgage described above. As of the date of this Official Statement, the land transfer documents are being negotiated between the parties, but the transfer of the land has not been completed. In the event of a dispute between the parties, pursuant to the settlement agreement, the bankruptcy court has retained jurisdiction to hear any such disputes arising out of the matters contained in the settlement agreement.

The settlement agreement also provides that Plitt/ICE Chatham, L.L.C. will be reinstated at ICE Development's discretion, and that if it is reinstated Plitt will transfer all of its interest in Plitt/ICE Chatham, L.L.C. to ICE Development. Further, under the settlement agreement Plitt Theatres will pay all property taxes on the land on which the theater is located for the time it operated the theater and, to the extent payments are received under a redevelopment agreement between the City and Plitt/ICE Chatham, L.L.C., Plitt Theatres will receive a portion of the payment based on tax payments owed by Plitt Theatres for the time it operated the theater. The balance of the payments is to be paid to ICE Development, subject to GE Capital's lien. Pursuant to the management agreement with Marcus Cinemas, Marcus Cinemas will be responsible for paying all taxes (including, without limitation, real property taxes, personal property taxes and

excise, sales and use taxes) in connection with the theater from the theater's operating income. If the operating income is insufficient to pay the taxes, the owner of the property (which will be ICE Development once the transfer of the property is completed) will be responsible for paying the taxes.

### **Planned Improvements**

A housing development is proposed to be constructed on a 14-acre parcel of vacant land located east of Parnell Avenue, south of 83rd Street and Vincennes Avenue, west of Chicago and Western Railroad tracks and north of 87th Street. The developer proposes to construct 99 single-family homes ranging in value from \$149,000 to \$295,000. Construction is anticipated to begin in Fall 2002 and to be completed by 2005. The application for the PUD for the Lakeshore housing project was approved on March 7, 2001. The application for the PUD was number 13062, and can be found on page 53992 in the Journal of Council Proceedings of the City Council of the City of Chicago.

Additionally construction of a replacement school for the Simeon Career Academy began in the Fall of 2001 and is expected to be completed in August 2003. Once the new school is completed, the old facility will be demolished and a parking lot and athletic facility will be constructed in its place.

### **Information on Owner and Major Tenant of Chatham Ridge Shopping Center**

*The information in this section concerning Inland Real Estate Corporation and Supervalu, Inc., respectively, has been derived from the Annual Reports on Form 10-K of Inland Real Estate Corporation and Supervalu, Inc. for the fiscal years ending December 31, 2001 and February 23, 2002, respectively, and filed with the Securities and Exchange Commission. Neither the City nor the Underwriters has independently verified this information, and neither the City nor the Underwriters take responsibility for its accuracy or completeness. Neither Inland Real Estate Corporation nor Supervalu, Inc. has participated in the preparation of this Official Statement nor has either company provided the City or the Underwriters with such information to include in this Official Statement.*

### **Summary of Inland Real Estate Corporation**

Inland Real Estate Corporation ("IREC") was formed in May 1994 as a real estate investment trust under Maryland law. IREC is in the business of acquiring neighborhood retail centers ranging from 5,000 to 150,000 square feet and community centers ranging from 150,000 to 300,000 square feet that are located within a 400-mile radius of its corporate center in Oak Brook, Illinois. IREC also acquires single use retail properties located throughout the country. As of December 31, 2001, IREC and its subsidiaries had ownership interest in 120 investment properties comprised of:

- 75 neighborhood retail centers totaling approximately 4.4 million gross leasable square feet;
- 19 community centers totaling approximately 3.9 million gross leasable square feet; and
- 26 single user retail properties totaling 1.1 million leasable square feet.

IREC generally limits its indebtedness to an amount not to exceed 50% of the combined fair market value of its investment properties. As of December 31, 2001, IREC's indebtedness was approximately 49% of IREC's book value of its investment properties. As of December 31, 2001, IREC had assets of approximately \$1.02 billion and stockholder's equity of approximately \$465 million.

IREC's two largest tenants are Dominick's Finer Foods, Inc. and Jewel Food Stores, Inc., both major supermarkets in the Chicagoland area. Dominick's Finer Foods, Inc., a division of Safeway, Inc., leases approximately 7.3% of the aggregate gross leasable space owned by IREC. Jewel Food Stores, Inc., a division of Albertson's Inc., leases approximately 4.2% of the aggregate gross leasable space owned by IREC. The leases from these two companies total approximately \$12 million, or 11.1% of the total annualized base rental income for the entire portfolio of IREC.

In its Form 10-K for the year ended December 31, 2001, IREC categorized the Chatham Ridge Shopping Ridge Center as a community center with total gross leasable area of 175,774 square feet. Its major tenants are Cub Foods, Marshall's and Bally's Total Fitness.

### **Summary of Supervalu, Inc.**

Cub Foods, one of the major tenants in the Chatham Ridge Shopping Center, is owned by Supervalu, Inc. Supervalu was organized in 1925 as the successor to two wholesale grocery firms established in the 1870s, and is now one of the largest grocery companies in the United States. Supervalu conducts its retail operations under three principal store formats: extreme value food stores under the retail banner Save-A-Lot; price superstores, under such retail banners as Cub Foods, Shop n Save, Shoppers Food Warehouse, Metro and Bigg's; and supermarkets, under retail banners such as Farm Fresh, Scott's and Hornbacher's. Supervalu also provides food distribution and related logistics support services across the United States retail grocery channel. As of February 23, 2002, the end of its most recent fiscal year, Supervalu conducted its retail operations through 1,260 retail food stores, including 764 licensed extreme value food stores. In addition, as of the close of the fiscal year, Supervalu was affiliated with 4,280 retail food stores in 48 states as the primary supplier of approximately 2,780 stores and a secondary supplier of approximately 1,500 stores.

As of February 23, 2002, Supervalu had approximately 57,800 employees. It had assets of approximately \$5.8 billion and stockholders' equity of approximately \$1.9 billion as of February 23, 2002.

### **Redevelopment Agreements**

On January 29, 1999 the City entered into a redevelopment agreement with Home Depot U.S.A., Inc., relating to the Home Depot store, under which the City agreed to pay directly or reimburse "TIF Funded Improvements" in the total amount of \$3,200,000. Of this \$3,200,000, \$1,909,302 remains to be paid by the City as of the date of this Official Statement. The Home Depot redevelopment agreement is on a "pay as you go basis" and is expected to be paid off in the next five to six years.

The City Council authorized a redevelopment agreement with Plitt/ICE Chatham, L.L.C., relating to the Loews Cineplex theater, on May 20, 1998 under which the City would be obligated to pay \$3,751,058 in TIF Funded Improvements. To date, this agreement has not been executed because various issues remain unresolved between the City and the developer (and related parties of the developer) arising out of the theater project. To date, the theater has continued to operate despite these unresolved issues.

On October 31, 2001, the City Council authorized a redevelopment agreement with LakeShore 87<sup>th</sup> Street Homes Limited Partnership relating to the construction of the single-family homes that would obligate the City to pay \$7,270,000 (of which \$5,270,000 is expected to be payable out of the Project Fund and \$2,000,000 is expected to be payable out of the Excluded Contractual Obligations Sub-account of the General Account). To date, this agreement has not been executed but is expected to be executed in due course. If the agreement is not executed, there can be no assurance that the development will proceed.

The City will fund from amounts held on deposit in the General Account established under the Series 1987 Bond Ordinance: (i) its obligations under the redevelopment agreement with Home Depot U.S.A., Inc.; (ii) any commitment it may make to Plitt/ICE Chatham, L.L.C. for costs of TIF-Funded Improvements under a redevelopment agreement approved in May 1998 but not yet executed; and (iii) certain obligations under a redevelopment agreement with LakeShore 87<sup>th</sup> Street Homes Limited Partnership not otherwise payable out of the Project Fund. Pursuant to the Indenture, these amounts will be deposited into the Excluded Contractual Obligations Sub-account of the General Account. See the information under the caption, "THE INDENTURE – Application of Bond Proceeds."

## **DESCRIPTION OF THE SERIES 2002 BONDS**

### **General Description**

The Series 2002 Bonds will be dated, mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) as described on the cover page and inside cover page of this Official Statement. The Series 2002 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2002 Bonds are not subject to redemption prior to maturity.

The principal of and interest on the Series 2002 Bonds will be payable at the principal corporate trust office of the Trustee, or its successor in trust, upon presentation of such Series 2002 Bonds. Payment of interest on the Series 2002 Bonds will be made to the Owners and will be paid by check or bank draft mailed or delivered by the Trustee to the person in whose name each Series 2002 Bond is registered on the Record Date at his or her address as it appears on the registration books of the City maintained by the Trustee or, at the option of any Owner of \$1,000,000 or more in aggregate principal amount of Series 2002 Bonds, by wire transfer to such bank in the continental United States as the Owner may request in writing. The "Record Date" for the Series 2002 Bonds is June 1 and December 1 of each year.

## **Negotiability, Transfer, Exchange and Registry**

The Series 2002 Bonds will be negotiable, subject to the following provisions for registration, exchange and transfer. The City will maintain and keep, at the office of the Registrar, books for the registration and transfer of Series 2002 Bonds. The City has appointed the Trustee to serve as the Registrar pursuant to the Indenture.

Each Series 2002 Bond is transferable only by the Owner of the Series 2002 Bond in person or by the Owner's attorney duly authorized in writing, upon surrender of the Series 2002 Bond together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or the Owner's duly authorized attorney. Upon the surrender for transfer of any Series 2002 Bond, the City will execute and the Trustee will authenticate and deliver a new Series 2002 Bond or Bonds registered as directed by the instrument of transfer, of the same aggregate principal amount and maturity as the surrendered Series 2002 Bond. The Series 2002 Bonds may, upon surrender at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or the Owner's duly authorized attorney, be exchanged for an equal aggregate principal amount of Series 2002 Bonds of the same maturity and interest rate.

The City and each Fiduciary may deem and treat the person in whose name any Series 2002 Bond is registered upon the registration books of the City as the absolute Owner of such Series 2002 Bond, whether the Series 2002 Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the Series 2002 Bond and for all other purposes, and all such payments so made to any Owner or upon its order will be valid and effective to satisfy and discharge the liability upon the Series 2002 Bonds to the extent of the sum(s) so paid, and neither the City nor any Fiduciary will be affected by any notice to the contrary.

For every transfer or exchange of Series 2002 Bonds, the City, the Trustee or any Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Registrar and the Trustee will not be required to make any registration, transfer or exchange of Series 2002 Bonds during the period between each Record Date and the next succeeding Interest Payment Date.

### **Book-Entry System**

*The following information concerning The Depository Trust Company, New York, New York ("DTC"), has been extracted from a schedule prepared by DTC entitled "Sample Offering Document Language Describing Book-Entry Only Issuance." Neither the City nor the Underwriters make any representation as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

DTC will act as securities depository for the Series 2002 Bonds. The Series 2002 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each annual maturity of the Series 2002

Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities under the DTC system must be made by and through Direct Participants, which will receive a credit for the Series 2002 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase of Series 2002 Bonds, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2002 Bonds, except in the event that the use of the book-entry system for the Series 2002 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002 Bonds deposited by the Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC). The deposit of the Series 2002 Bonds with DTC and their registration in the name of Cede & Co. (or such other DTC nominee) do not effect any change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the Series 2002 Bonds; DTC's records reflect only the identity of the Direct Participants to whose account such Series 2002 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2002 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose account the Series 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2002 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility for such Participant and not DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Trustee, disbursements of such payments to the Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Direct or Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Series 2002 Bonds at any time by giving reasonable notice to the City or Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2002 Bond certificates are required to be printed and delivered.

The City may discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2002 Bond certificates will be printed and delivered.

**NEITHER THE CITY, THE TRUSTEE, NOR UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, OR INTEREST ON, THE SERIES 2002 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; OR (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A BONDHOLDER.**

## **SECURITY FOR THE SERIES 2002 BONDS**

### **Limited Obligations**

The Series 2002 Bonds, together with the interest thereon, are limited obligations of the City, payable solely from Pledged Revenues and the amounts on deposit in and pledged to certain funds and accounts as provided for in the Indenture, subject and subordinate, however, to any rights of the holders of the Excluded Contractual Obligations. No Owner of any Series 2002 Bond will have the right to compel the exercise of any taxing power of the City for payment of principal of the Series 2002 Bonds or interest on the Series 2002 Bonds. THE SERIES 2002 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF ILLINOIS OR ANY OF ITS POLITICAL SUBDIVISIONS OR A LOAN OF THEIR CREDIT WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION.

### **Excluded Contractual Obligations**

The City has either authorized or entered into three redevelopment agreements with developers of projects located or to be located within the Chatham Ridge Redevelopment Project Area. The obligations, if any, of the City under these arrangements are referred to as “Excluded Contractual Obligations” and include the following: (i) the obligations of the City to reimburse Home Depot U.S.A., Inc. for costs of certain “TIF-Funded Improvements” pursuant to the redevelopment agreement between the City and Home Depot U.S.A., Inc.; (ii) any commitment the City may make to reimburse Plitt/ICE Chatham, L.L.C. for certain “TIF-Funded Improvements” pursuant to a redevelopment agreement authorized by the City Council on May 20, 1998 but which has not yet been executed by the parties because various issues remain unresolved between the City and the developer (and related parties of the developer) arising out of the theater project; and (iii) certain obligations of the City to Lakeshore 87th Street Homes Limited Partnership that are not otherwise payable out of the Project Fund for “TIF-Funded Improvements” pursuant to a redevelopment agreement authorized by the City Council on October 31, 2001, which has not yet been executed by the parties but is expected to be executed in due course. The City’s remaining maximum payment obligations under the arrangements described in (i) and (ii) above have a prior claim for payment from amounts in the Incremental Taxes Fund than the claim of the Series 2002 Bonds. The City has retained the right to make payments under the arrangement described in (iii) above on the same basis as those arrangements described in (i) and (ii) above. The City’s remaining maximum payment obligations under the arrangements (assuming each arrangement is fully implemented) aggregates approximately \$7,660,360, of which \$1,909,302 is attributable to the redevelopment agreement with Home Depot U.S.A., Inc., \$3,751,058 is attributable to the redevelopment agreement with Plitt/ICE Chatham, L.L.C. or any successor to it, and \$2,000,000 is attributable to the redevelopment agreement with Lakeshore 87<sup>th</sup> Street Homes Limited Partnership. In connection with the issuance of the Series 2002 Bonds, the City will deposit an amount equal to the aggregate amount of the City’s remaining maximum payment obligations under the arrangements (if fully implemented) into the Excluded Contractual Obligations Sub-account of the General Account. Amounts on deposit in the Excluded Contractual Obligation Sub-account will be held and applied only to pay the Excluded Contractual Obligation to which they are attributable. See the information under the caption, “THE INDENTURE – Application of Bond Proceeds.”

## **Pledge of Revenues**

Subject only to any rights of the holders of the Excluded Contractual Obligations (described above) and the provisions of the Indenture permitting or requiring their application for the purposes and on the terms and conditions set forth in the Indenture, the Series 2002 Bonds and any additional Bonds subsequently issued pursuant to the Indenture on a parity basis with the Series 2002 Bonds (collectively, the “Bonds”) are secured by a pledge of: (i) the Pledged Revenues, (ii) amounts on deposit in all funds, accounts and sub-accounts established pursuant to the Indenture, except for the Program Expenses Account, the Rebate Account and the Sub-accounts of General Account other than amounts on deposit in the Reserve Sub-account of the General Account; provided that any sub-account established within the Reserve and Redemption Account for any Series of Bonds pursuant to a supplemental indenture will only secure and be pledged to the payment of such Series of Bonds unless otherwise provided in the supplemental indenture, and (iii) any and all other moneys, securities and property furnished from time to time to the Trustee by the City or on behalf of the City or by any other Persons to be held by the Trustee under the terms of the Indenture; provided that the application of Pledged Revenues to the payment of debt service on any Junior Lien Obligations and to payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture and any supplemental indenture.

“Pledged Revenues” consist of (i) incremental property taxes generated within the Chatham Ridge Redevelopment Project Area by tax levies for tax levy years through 2009 and deposited into the Incremental Taxes Fund through December 31, 2010, (ii) a portion (specified in the Act) of incremental state sales and use taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund through December 31, 2013, (iii) incremental municipal sales taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund through December 31, 2013, and (iv) other legally available funds of the City (excluding funds in the Incremental Taxes Fund) which the City has covenanted to deposit into the Incremental Taxes Fund in each calendar year from 2010 through 2013 in an amount equal to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2010. The City’s 2010 deposit will initially be equal to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2009, subject to adjustment in 2011. The City has agreed that if the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2010 exceeds the amount deposited in 2009, the City’s deposit in 2011 will include, in addition to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2010, the amount of this difference. The City’s obligation to make the deposits of legally available funds under (iv) above is a general obligation of the City and is subject to annual appropriation of the necessary amounts by the City Council. The City has covenanted to make such appropriations. No ad valorem property tax levy will be made, filed or extended and no Owner has the right to compel the City to levy any taxes to make such deposit. The pledge of Pledged Revenues is irrevocable until the obligations of the City are discharged under the Indenture.

## **Application of Pledged Revenues**

The Incremental Taxes Fund previously created by the City in connection with the Series 1987 Bonds is continued as a special fund of the City to be held by the City subject to the

provisions of the Indenture, separate and apart from all other funds and accounts of the City. The Incremental Taxes Fund is a trust fund established for the purpose of carrying out the covenants, agreements, terms and conditions imposed upon the City by the Indenture and the Ordinance and any indenture or ordinance supplemental to the Indenture authorizing the issuance of Bonds. Moneys on deposit in the accounts established under the Indenture will be applied by the City and Trustee as set forth in the Indenture.

In accordance with the provisions of the Act, Incremental Taxes are to be paid to the Treasurer by the officers who collect or receive Incremental Taxes and then deposited into the Incremental Taxes Fund. In addition, as described above in the definition of the term "Pledged Revenues" under the caption "Pledge of Revenues," the City has covenanted in the Indenture to make a deposit into the Incremental Taxes Fund in each calendar year from 2010 through 2013, from other legally available funds of the City (excluding funds in the Incremental Taxes Fund) in an amount equal to the City's share of the property tax increment deposited into the Incremental Taxes Fund in 2010. All Pledged Revenues, including Incremental Taxes, deposited in the Incremental Taxes Fund are required to be transferred by the Treasurer to the Trustee for application in accordance with the Indenture. Moneys transferred by the Treasurer to the Trustee will be promptly deposited by the Trustee as provided in the Indenture to the separate accounts created by the Indenture to be held by the Trustee. Moneys transferred to the Trustee will be credited by the Trustee and the City in the following order of priority:

*Program Expenses Account.* From Pledged Revenues first received by the Trustee, the Trustee will credit to and deposit into the Program Expenses Account an amount of Pledged Revenues sufficient to pay Program Expenses, if any, for the next succeeding calendar year. The City will provide to the Trustee information, calculations or estimates of the Program Expenses for the next succeeding calendar year, and the Trustee may reasonably rely upon the information, calculations or estimates of Program Expenses as necessary to determine the proper amount of the deposit into the Program Expenses Account. At the direction of the City, a portion of the proceeds of the Bonds may also be deposited into the Program Expenses Account and applied by the Trustee to pay costs incurred in connection with the offering of the Series 2002 Bonds. Amounts on deposit in the Program Expenses Account are not pledged to pay Bonds.

*Principal and Interest Account.* The Trustee will next transfer the Pledged Revenues into the Principal and Interest Account in an amount sufficient to pay the principal of, and interest on, all Outstanding Bonds coming due during the next succeeding calendar year; provided, however, that Pledged Revenues received by the Trustee in calendar year 2013, after deposit into the Program Expenses Account to the extent needed to satisfy, after taking into account the amounts on deposit therein, remaining Program Expenses, if any, next shall be transferred into the Principal and Interest Account in an amount sufficient, together with other moneys on deposit therein, to pay the principal of, and interest on, all Outstanding Bonds coming due June 15 and December 15 of 2013, and thereafter shall be applied as otherwise provided in the Indenture. Except as provided below, such moneys will be used solely and only for the purpose of paying principal of, redemption premium, if any, and interest on the Bonds as the same become due. Capitalized interest received upon the sale of Bonds, if any, will be deposited into the Capitalized Interest Sub-account and used to pay interest coming due on the Bonds prior to applying any other moneys for that purpose.

*Reserve and Redemption Account.* The Trustee will next transfer the Pledged Revenues into the Reserve and Redemption Account until the aggregate amount in the account equals the Debt Service Reserve Requirement. Thereafter, no further transfers will be made into such Account for such purpose, except that when any money is paid out of that Account payments will be resumed and continued until that account has been restored to an aggregate amount equal to the Debt Service Reserve Requirement for the Bonds. The Trustee will value the investments in the Reserve and Redemption Account and each sub-account, if any, on the fifteenth (15th) Business Day preceding each June 15 and December 15, commencing on June 15, 2003. In determining the value of the investments in the Reserve and Redemption Account and in each of its sub-accounts, such investments will be valued at their market price or as otherwise provided in the Indenture. Moneys on deposit in each sub-account of the Reserve and Redemption Account will be transferred to the Principal and Interest Account as may be necessary from time to time to prevent or remedy a default in the payment of principal of, redemption premium if any, or interest on, the applicable Series of Bonds. Whenever a transfer is made from a sub-account in the Reserve and Redemption Account to the Principal and Interest Account, the Trustee will promptly give written notice of such transfer to the City.

*Rebate Account.* The Trustee will next transfer the Pledged Revenues into the Rebate Account to the extent necessary to ensure sufficient moneys to make, at the required times, all rebate payments to the United States of America required to be made by Section 148 of the Code and applicable provisions of the Income Tax Regulations. The City will provide to the Trustee information, calculations or estimates of amounts to be deposited in the Rebate Account for the next succeeding calendar year. The Trustee may reasonably rely upon the information, calculations or estimates to determine the proper amount to be deposited into the Rebate Account and will not be required to make transfers of the Pledged Revenues into the Rebate Account if it has not been provided with such information, calculations and estimates. The Trustee will make any necessary rebate payments to the United States of America that are required by the Code and Income Tax Regulations from moneys on deposit in the Rebate Account. Amounts on deposit in the Rebate Account are not pledged to payments of the Bonds.

*Amounts for Special Mandatory Redemption.* The Trustee will next transfer the Pledged Revenues into the Reserve and Redemption Account for application to the special mandatory redemption of Bonds to the extent required by any supplemental indenture to the Indenture.

*General Account.* The balance of Pledged Revenues will be transferred to the Treasurer to be credited to the General Account. The City has established three separate, segregated sub-accounts within the General Account to be known as the "Excluded Contractual Obligations Sub-account," "Reserve Sub-account," and "General Sub-account."

Excluded Contractual Obligations Sub-account of the General Account. Amounts on deposit in the Excluded Contractual Obligations Sub-account will be held and applied only to pay the Excluded Contractual Obligation to which they are applicable. Subject to the provisions of the following sentence, when an Excluded Contractual Obligation has been paid and discharged or otherwise terminated, any moneys remaining in the Excluded Contractual Obligations Sub-account attributable to such Excluded Contractual Obligation will be released from that Sub-account and deposited into the General Sub-account of the General Account. Notwithstanding the foregoing, if Plitt/ICE Chatham, L.L.C., or any successor to it, fails to pay

in full ad valorem real property taxes extended against its property within the Chatham Ridge Redevelopment Project Area in a timely manner, all moneys remaining on deposit in the Excluded Contractual Obligations Sub-account attributable to the Redevelopment Agreement with Plitt/ICE Chatham, L.L.C., will be transferred and deposited into the Reserve Sub-account.

Reserve Sub-account of the General Account. Pledged Revenues transferred by the Trustee to the Treasurer of the City for deposit into the General Account will be deposited into the Reserve Sub-account of the General Account until the amount on deposit in the Reserve Sub-account equals the Required Amount. Such deposits will be continued or resumed whenever the amount on deposit in the Reserve Sub-account is less than the Required Amount. The “Required Amount” means (i) for the period from the Date of Issuance through December 31, 2003, \$500,000; (ii) for calendar year 2004, \$700,000, (iii) for calendar year 2005, \$900,000; (iv) for calendar year 2006, \$1,100,000; and (v) for calendar year 2007 and all future calendar years, \$1,200,000. In determining whether or not the amount on deposit in the Reserve Sub-account equals the Required Amount, amounts transferred into the Reserve Sub-account from the Excluded Contractual Obligations Sub-account remaining on deposit in the Reserve Sub-account will be ignored. Moneys from time to time on deposit in the Reserve Sub-account will be (i) transferred by the Treasurer to the Trustee upon the request of the Trustee and deposited into the Principal and Interest Account to the extent necessary from time to time to prevent or remedy a default in the payment of interest on or principal of the Series 2002 Bonds, before any transfers are made from the 2002 Reserve and Redemption Sub-account for that purpose, or (ii) to the extent that moneys transferred into the Reserve Sub-account from the Excluded Contractual Obligations Sub-account remain on deposit in the Reserve Sub-account, applied to pay obligations of the City to Plitt/ICE Chatham, L.L.C., or any successor to it, under the Redevelopment Agreement between them. In 2013, moneys on deposit in the Reserve Sub-account that the Treasurer determines are not needed to pay debt service on the Series 2002 Bonds, may be transferred and deposited into the General Sub-account and may be used for any of the purposes for which moneys in the General Sub-account may be used. Moneys from time to time on deposit in the Reserve Sub-account will be pledged to the Bonds and will be part of the Trust Estate, but nevertheless will be held by the Treasurer.

General Sub-account of the General Account. Moneys in the General Account that are not required to be on deposit in the Excluded Contractual Obligations Sub-account or the Reserve Sub-account will be deposited into the General Sub-account and may be used (1) for the purpose of paying any Project Costs including, without limitation, obligations incurred by the City pursuant to Section 706 of the Indenture (which permits the City to issue evidences of indebtedness payable from, or secured by, the pledge of Pledged Revenues derived on and after the date the pledge of Pledged Revenues is discharged and satisfied under the Indenture and to make payments from the General Sub-account to pay or reimburse Project Costs (including the payment of the principal of and interest on notes or other evidences of indebtedness of the City) as long as the City’s agreement to make such payments is fully contingent on the availability of funds in the General Sub-account for such purpose); (2) for the purpose of paying principal of or interest on or for redeeming Bonds; (3) for the purpose of purchasing Bonds at a price not in excess of par and accrued interest and applicable redemption premium to the date of purchase; (4) for the purpose of paying principal of or interest on any Junior Lien Obligations; (5) for the purpose of redeeming any Junior Lien Obligations; (6) for the purpose of purchasing Junior Lien Obligations at a price not in excess of par and accrued interest and applicable redemption

premium to the date of purchase; or (7) for the purpose of distribution of such funds to the taxing districts or municipal corporations having the power to tax real property in the Chatham Ridge Redevelopment Project Area in accordance with the Act. Moneys on deposit in the General Sub-account are not pledged to the payment of Bonds and are not Pledged Revenues.

### **Establishment of Project Fund**

The Indenture establishes the Project Fund as a separate, segregated fund to be held by the City in a Depository. The Indenture requires payment into the Project Fund of amounts required to be so paid by the provisions of the Indenture and any supplemental indenture, and there may be paid into the Project Fund, at the option of the City, any moneys determined to be so applied by the City. The City is required to establish within the Project Fund, in connection with the issuance of each Series of Bonds, separate, segregated accounts for the deposit of proceeds of such Bonds issued to finance additional Project Costs. In the First Supplemental Indenture, the City established the 2002 Project Account and, within the 2002 Project Account, a 2002 Special Project Sub-account. Moneys deposited into the 2002 Project Account (other than the moneys deposited into the 2002 Special Project Sub-account) will be used to pay Project Costs, including costs relating to the issuance of the Series 2002 Bonds. Moneys deposited into the 2002 Special Project Sub-account will be used only to pay Project Costs, including an allocated portion of the costs relating to the issuance of the Series 2002 Bonds, with respect to redevelopment projects within the Original Project Area. Upon the completion of the project for which an account is established in the Project Fund, the balance in that account in excess of the amount, if any, needed to complete the project must be applied by the City in the following order of priority: (1) to the applicable sub-account of the Reserve and Redemption Account, to the extent necessary to cause the amount on deposit in the Reserve and Redemption Account to equal the applicable Debt Service Reserve Requirement; and (2) the remainder to the City for any lawful purpose under the Act.

### **Investments**

Moneys held in any fund, account or sub-account by the City, the Trustee or a Depository will be invested and reinvested by the City at the direction of an Authorized Officer in Investment Securities that mature no later than necessary to provide moneys when needed for payments from such fund, account or sub-account. Any earnings on such investments in the Reserve and Redemption Account will be credited to and held in the applicable sub-accounts of the Reserve and Redemption Account so long as the balance of any sub-account is less than the Debt Service Reserve Requirement for the sub-account, and next will be transferred to the Principal and Interest Account. All other investment earnings will remain in and be a part of the respective fund, accounts and sub-accounts in which such investments are held unless otherwise provided in the Indenture.

### **Debt Service Reserve Requirement**

At the time of delivery of the Series 2002 Bonds, an amount equal to \$1,793,500 will be deposited into a separate sub-account of the Reserve and Redemption Account established for the Series 2002 Bonds. Amounts on deposit in this sub-account in excess of the Debt Service

Reserve Requirement will be transferred to the Principal and Interest Account and applied to the payment of principal of the Series 2002 Bonds.

### **Junior Lien Obligations**

The City may issue Junior Lien Obligations in the future. The Junior Lien Obligations will be payable out of Pledged Revenues and may be secured by a pledge of the accounts and sub-accounts established under the Indenture and the respective supplemental indenture, provided that any pledge or assignment will be subordinate to the pledge of the Trust Estate as security for the Bonds to the extent provided in the Indenture. The City is required to satisfy certain conditions prior to issuance of Junior Lien Obligations including a requirement that the City deliver to the Trustee a certificate of an Authorized Officer:

(i) setting forth the amount of the projected Pledged Revenues to be available to pay debt service on the Outstanding Bonds and Junior Lien Obligations during the period the Junior Lien Obligations will be outstanding;

(ii) setting forth, for the current Bond Year and for each subsequent Bond Year, the Annual Debt Service Requirement on account of all Bonds and Junior Lien Obligations then Outstanding and the Junior Lien Obligations proposed to be issued;

(iii) establishing that the amounts shown in subparagraph (i) above will not be less than one hundred percent (100%) of the Annual Debt Service Requirement on account of all Bonds and Junior Lien Obligations then Outstanding and the Junior Lien Obligations proposed to be issued, provided that the calculation set forth in (ii) above will be exclusive of the final maturing principal amount of any Series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the Reserve and Redemption Account for such Series are expected to be available to pay Bonds of such Series on the final maturity date; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current.

The Junior Lien Obligations will have those terms and provisions as set forth in the supplemental indenture providing for the issuance of the Junior Lien Obligations. No holder of a Junior Lien Obligation will have the right to cause the acceleration of the holder's Junior Lien Obligation if a default occurs under the Junior Lien Obligation.

### **Additional Bonds**

The City may issue additional Bonds in the future. With respect to any Series of Bonds, other than certain Refunding Bonds, issued and delivered subsequent to the delivery of the Series 2002 Bonds, the City is required to satisfy certain conditions prior to issuance including a requirement that the City deliver to the Trustee a certificate of an Authorized Officer:

(i) setting forth the amount of the projected Pledged Revenues for the current Bond Year and each Bond Year thereafter, which projection will be based (as to projected Incremental Taxes) on a report prepared by an Independent consultant having recognized urban renewal and tax increment financing expertise;

(ii) setting forth for the current Bond Year and for each subsequent Bond Year, the Maximum Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued;

(iii) establishing that the amounts shown in subparagraph (i) above for each Bond Year up to and including the Bond Year ending December 15, 2013 are not less than 100 percent of the amount shown in paragraph (ii) above for the following Bond Year; provided that the calculations pursuant to subparagraph (ii) above will be exclusive of the final maturing principal amount of any series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the Reserve and Redemption Account for such series are expected to be available to pay Bonds of such series on such final maturity date; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current.

The certificate of an Authorized Officer required to be delivered in connection with the issuance of certain Refunding Bonds must evidence that (i) the term of the Refunding Bonds does not exceed the term of the Bonds being refunded, and (ii) the Annual Debt Service Requirements for any Bond Year on account of all Bonds Outstanding, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds Outstanding, including the Bonds to be refunded immediately prior to the issuance of such Refunding Bonds.

In addition to delivering the certificate to the Trustee, prior to issuing any additional Bonds, the City covenants that it will obtain the advance written consent of the Owner or Owners of at least a majority in principal amount of the Series 2002 Bonds. This covenant is for the benefit and protection of Allstate Insurance Company or its affiliate (“Allstate”), one of the initial Owners of the Series 2002 Bonds, and may be waived, in a single instance or permanently, at any time by Allstate without regard to the aggregate principal amount of Series 2002 Bonds at the time owned by it. For a more detailed description of the conditions required to issue additional Bonds and Refunding Bonds, see the information under the caption, “THE INDENTURE - Additional Bonds and Refunding Bonds.”

### **BONDOWNERS’ RISKS**

Investment in the Series 2002 Bonds involves the assumption of certain risks. The following summary is not intended to be complete and does not purport to identify all possible risks that should be considered by prospective purchasers of the Series 2002 Bonds. For a further discussion of risks, see the information contained in the Consultant’s Report attached hereto as APPENDIX B.

In particular, prospective purchasers of the Series 2002 Bonds should note that changes in any of the laws, regulations, rules, procedures or policies affecting the amount or collection of Incremental Taxes (such as, for example, assessed valuation of real property, the multiplier, property and sales tax rates or changes in law or tax procedures) could reduce the amount of

Incremental Taxes to an amount that, together with any other available funds, is insufficient to pay debt service on the Series 2002 Bonds when due.

## **Factors Affecting Incremental Taxes Generally**

### **Limited Source of Payment**

The Series 2002 Bonds are limited obligations of the City, payable solely from Pledged Revenues, as described herein, and from amounts on deposit in and pledged to certain funds and accounts established under the Indenture, subject and subordinate only to any rights of the holders of the Excluded Contractual Obligations. The Series 2002 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation or a pledge of the full faith and credit of the City or the State of Illinois. No Owner of the Series 2002 Bonds will have the right to compel the exercise of any taxing power of the City, the State or any other political subdivision of the State, for payment of the principal of or interest on the Series 2002 Bonds.

### **Limited Duration of the Chatham Ridge Redevelopment Project Area**

As provided in the Act, the Chatham Ridge Redevelopment Project Area will terminate on December 31, 2013. Incremental Property Taxes will not be available after December 31, 2010 and Incremental Sales Taxes will not be available after December 31, 2013 to pay debt service on any Series 2002 Bonds that remain outstanding after that date. Additionally, pursuant to the Act, the City will be entitled to receive incremental state sales and use taxes during years 2010 through 2013 only if the City deposits other legally available funds (excluding funds in the Incremental Taxes Fund) into the Incremental Taxes Fund in amount equal to the City's share of the property tax increment deposited into the Incremental Taxes Fund in 2010. If the City fails to make such deposits, incremental state sales and use taxes will not be available to pay debt service after December 31, 2009. See the information under the captions, "SECURITY FOR THE SERIES 2002 BONDS" and "ESTIMATED TOTAL PLEDGED REVENUES, DEBT SERVICE AND DEBT SERVICE COVERAGE."

### **Assumptions in Consultant's Projections**

The City has engaged the consulting firm of Johnson Research Group, Inc. (the "Consultant") to prepare an estimate of Incremental Taxes to be collected annually from the Chatham Ridge Redevelopment Project Area during the period from tax collection year 2002 through tax collection year 2013 (the "Consultant's Report"). The Consultant's Report is attached as APPENDIX B. The Consultant's Report is based on numerous assumptions described in Section III of the Consultant's Report. These assumptions are material to the estimate of Pledged Revenues to be collected. One of the Consultant's important assumptions is that none of the risks enumerated in the Consultant's Report will occur. The occurrence of one or more of the enumerated risks could adversely affect the collection and receipt of Incremental Taxes. Some (but not all) of the risks described in the Consultant's Report are summarized in this section, "BONDOWNERS' RISKS." The City and the Underwriters have not independently verified the projections of Incremental Taxes contained in the Consultant's Report.

### **Lack of Feasibility Study**

No market feasibility study has been performed to determine the real estate market values or conditions that exist in the Chatham Ridge Redevelopment Project Area. Results of operation of properties within the Chatham Ridge Redevelopment Project Area depend, in part, on the rental rates and tenant occupancy levels, which may be adversely affected by competition, the suitability of property for the desired purpose, local unemployment, availability of transportation, neighborhood changes, crime levels in the Chatham Ridge Redevelopment Project Area, vandalism, rising operating costs, and similar factors. Poor operating results of properties within the Chatham Ridge Redevelopment Project Area may cause delinquencies in the payment of real estate taxes, reduce Assessed Valuations and increase the risk of foreclosures. Successful petitions by taxpayers to reduce their Assessed Valuations on the basis of poor operating results or otherwise could adversely affect Incremental Taxes available to pay debt service on the Bonds.

### **Transfer of Amounts from Incremental Taxes Fund**

The Chatham Ridge Redevelopment Project Area may become contiguous with other redevelopment project areas designated by the City pursuant to the Act. The Act allows the City to expend Incremental Taxes collected from the Chatham Ridge Redevelopment Project Area which are in excess of the amounts required in each year to pay and secure obligations issued and Project Costs incurred with respect to the Chatham Ridge Redevelopment Project Area to pay for costs eligible for payment under the Act which are incurred in contiguous areas. In addition, the Act permits the City to utilize revenues or proceeds of obligations authorized under the Act to pay for costs which involve public property that either is contiguous to, or separated only by a public right of way from, the Chatham Ridge Redevelopment Project Area. If the Incremental Taxes from the Chatham Ridge Redevelopment Project Area exceed the amounts required to pay principal and interest coming due on the Series 2002 Bonds in any year and are allocated to a contiguous redevelopment project area or public property, any Incremental Taxes transferred will not be available to remedy any future deficiency in the required balances in the funds and accounts within the Incremental Taxes Fund.

### **Risks Affecting Incremental Property Taxes**

#### **Economic Risks**

Future collections of Incremental Property Taxes could be adversely affected by a number of economic factors not within the City's control resulting in reductions in Incremental Taxes available to pay debt service. For example, the relocation of major property owners to sites outside the Chatham Ridge Redevelopment Project Area or sales of major properties to tax-exempt entities could reduce the Assessed Valuation of the Chatham Ridge Redevelopment Project Area. Additionally, substantial damage to, or destruction of, improvements in the Chatham Ridge Redevelopment Project Area could cause a material decline in Assessed Valuation and could impair the ability of the taxpayers in the Chatham Ridge Redevelopment Project Area to pay their respective real estate taxes. There also can be no assurance that the improvements in the Chatham Ridge Redevelopment Project Area are or will be insured under fire and extended coverage insurance policies, and, even if insurance exists, that the proceeds

thereof will be assigned as security for the payment of real estate taxes. In addition, any insurance proceeds may not be sufficient to repair or rebuild the improvements if they are damaged or destroyed by casualty. The restoration of the improvements may be delayed by other factors, or the terms of then-applicable mortgage financing could require the application of insurance proceeds to the reduction of mortgage balances. Any of the foregoing circumstances could result in the Assessed Valuation of property in the Chatham Ridge Redevelopment Project Area remaining depressed for an unknown period of time and decrease the amount of Incremental Property Taxes available to pay debt service on the Bonds.

### **Methodology Used to Determine Assessed Valuation**

From time to time, the classification percentages used for determining a property's Assessed Valuation may be reduced or the methodology for determining a property's Assessed Valuation may be modified. In addition, the Assessed Valuation of a property is subject to appeal before the Cook County Board of Review and the Illinois Property Tax Appeal Board (the "PTAB"). PTAB is a state level administrative tribunal originally created for the purpose of correcting disparities in property tax assessments among downstate counties. PTAB uses a survey prepared by the Illinois Department of Revenue ("IDOR") that compares actual sales to assessed value in order to determine the median level of assessment. Since PTAB has extended its authority into Cook County, there have been issues raised regarding the appropriate application of IDOR's median levels established in their survey, especially with regard to the County's tax classification system. In recent PTAB opinions, the PTAB did not apply the Cook County Classification Ordinance assessment levels but instead used the median level of assessments derived by the IDOR's record of property sales in determining assessment levels. As a result, tax refunds were granted to several property owners. Recently, Ryerson Steel, the owner of two parcels of property located within the Chatham Ridge Redevelopment Project Area, appealed to the PTAB and, as a result, is entitled to a tax refund of approximately \$58,961. This refund will be paid from future Incremental Property Taxes collected. If, in the future, additional property owners located in the Chatham Ridge Redevelopment Project Area appeal to the PTAB and, as a result, receive material reductions or modifications in the Assessed Valuations of their properties located in the Chatham Ridge Redevelopment Project Area, there could be an adverse material effect on Incremental Property Taxes generated in the Chatham Ridge Redevelopment Project Area. See the information under the caption, "REAL PROPERTY TAX SYSTEM - Real Property Assessment, Tax Levy and Collection Procedures - Assessment" and the information contained in Section III of the Consultant's Report attached as APPENDIX B.

### **Changes in Multiplier and Property Tax Rates**

The equalization factor determined annually by the IDOR for properties located within Cook County (commonly referred to as the "multiplier") has increased substantially in recent years and may vary substantially in future years. See the information under the caption, "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures - Equalization." A decrease in the multiplier would reduce the Equalized Assessed Valuation of the taxable real property in the Chatham Ridge Redevelopment Project Area and, therefore, the Incremental Property Taxes available to pay debt service on the Series 2002 Bonds. The future tax rates of the units of local government levying taxes in the Chatham

Ridge Redevelopment Project Area (the “Units” described in “REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures - Tax Levy”), either individually or on an aggregate basis, may differ from their historical levels. Any decrease in the aggregate tax rate of the Units would decrease the amount of Incremental Property Taxes available to pay debt service on the Series 2002 Bonds. Decreases in the aggregate tax rate of the Units could occur in future years as a result of various factors, including, but not limited to, one or more of the following: (a) reduced governmental costs; (b) constitutional or statutory spending, tax extension or tax rate limitations; (c) reduced reliance on real property taxes as a source of local government funding; or (d) governmental reorganization or consolidation. See the information under the caption, “REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures and Property Tax Limits.”

### **Changes in Law**

In recent years, a number of states have considered or enacted legislation significantly reducing the reliance of local governmental units on real estate taxes. Illinois has considered, but not yet enacted, such legislation. Any such legislation could reduce the tax levy amount that could be extended to property in a redevelopment project area (including the Chatham Ridge Redevelopment Project Area) and, consequently, could reduce the amount of Incremental Property Taxes generated in that area.

Additionally, there can be no assurance that laws will not be enacted or amended that would have the effect of reducing or abating real estate taxes, which in turn could have a material adverse effect on the amount of Incremental Property Taxes generated in the Chatham Ridge Redevelopment Project Area and the City's ability to pay debt service on the Series 2002 Bonds from Pledged Revenues. Similarly, other changes in law reducing governmental reliance on real property taxes or amending the Act could adversely affect the amount of Incremental Property Taxes collected by the City, and any such adverse effect may be material.

### **Changes in Property Tax Procedures**

The estimates of Incremental Taxes contained in the Consultant's Report relate to collections of Incremental Property Taxes from the Chatham Ridge Redevelopment Project Area by tax code. In particular, the City and the Consultant have assumed, based on the Cook County Clerk's current practice and procedures, that a future decline in the Equalized Assessed Valuation of properties in one tax code below the certified initial Equalized Assessed Valuation of the properties would not adversely affect the estimates of Incremental Property Taxes for properties covered by the other tax codes set forth in the Consultant's Report. However, neither the City nor the Consultant can assure that the County Clerk will not change its practice and procedures in the future in a manner that would adversely affect the estimates of Incremental Property Taxes. See the information under the caption, “REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures and Property Tax Limits,” and the information contained in Section III of the Consultant's Report in APPENDIX B.

## **Risks Affecting Incremental Sales Taxes**

### **Changes in Sales and Use Tax Rates**

The State General Assembly has the authority to amend the provisions of State law governing state sales and use taxes and the municipal sales tax increment. Changes to the tax base, exemptions or tax rates could adversely affect the amount of Incremental Sales Taxes deposited into the Incremental Taxes Fund. Changes in the tax rates or allocation formula of the state sales and use taxes could adversely affect the amount of Incremental Sales Taxes deposited into the Incremental Taxes Fund.

Additionally, if the State changes its real property tax system or its method of funding public education, it is possible that revisions could be made to the rates and allocation of state sales and use taxes. It is not possible to predict whether or in what form any such revisions will be enacted or if any such revisions would result in a reduction in Incremental Sales Taxes.

### **Economic Risks**

Future collections of Incremental Sales Taxes could be adversely affected by a number of economic facts not within the City's control resulting in reductions in Pledged Revenues to pay debt service. For example, the relocation of a significant tenant located in the Original Project Area to areas outside the Original Project Area or a substantial decline in retail sales at the businesses located within the Original Project Area could decrease the amount of sales taxes distributed to the City and deposited into the Incremental Taxes Fund. Additionally, sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. A reduction in the level of commercial and industrial activity in the City could reduce the number and value of taxable transactions and thus reduce the amount of Incremental Sales Taxes.

### **City's Deposits; Appropriation Risk**

Each calendar year from 2010 through 2013, the City must make deposits of legally available funds (excluding funds in the Incremental Taxes Fund) into the Incremental Taxes Fund, in an amount equal to the City's share of the property tax increment deposited into the Incremental Taxes Fund in 2010. The City's deposits are subject to annual appropriation by the City Council. No ad valorem property tax levy will be made, filed or extended and no Owner has the right to compel the City to levy any taxes to make such deposit. The City has covenanted to make such deposits and appropriations, and such undertakings are a general obligation of the City. However, if the City Council fails to make such appropriations or if the City otherwise fails to make timely the deposits, the City will not be entitled to receive incremental state sales and use taxes after December 31, 2009.

Additionally, each year the State General Assembly appropriates an aggregate amount that the IDOR is authorized to distribute, per quarter, from the Illinois Tax Increment Fund to satisfy the State's net sales tax obligation. If in any year the State General Assembly materially reduces the amount the IDOR is authorized to distribute or fails to make an appropriation, the

amount of incremental state sales and use taxes deposited into the Incremental Taxes Fund will be materially adversely affected.

### **Competition**

Increases in sales tax rates in the City and Cook County may create incentives for certain purchases to be made in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may not result in a corresponding percentage increase in revenues, and may prompt certain commercial and industrial activities to relocate to jurisdictions with lower sales tax rates.

## **PLAN OF FINANCING**

The City will use the proceeds of the Series 2002 Bonds to: (i) pay a portion of the Project Costs; (ii) pay certain expenses incurred in connection with the issuance of the Series 2002 Bonds; (iii) fund the Reserve and Redemption Account with respect to the Series 2002 Bonds; and (iv) refund in advance of their maturity the Series 1987 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

### **Advance Refunding of Prior Bonds – Series 1987**

The City expects to deposit \$2,810,964.97 into the Series 1987 Escrow Account (\$2,057,342.12 from the proceeds of the Series 2002 Bonds plus \$753,622.85 on deposit in the Series 1987 Reserve and Redemption Account). The funds deposited into the Series 1987 Escrow Account will be used to advance refund all of the Series 1987 Bonds for redemption in whole on January 1, 2003. The Series 1987 Bonds are subject to optional redemption by the City on any interest payment date at a redemption price which varies based on the date of redemption. The redemption price as of January 1, 2003 is 100.5% of par value. BNY Midwest Trust Company is the escrow agent for the Series 1987 Escrow Account.

To provide for the advance refunding of the Series 1987 Bonds, a portion of the proceeds of the Series 2002 Bonds will be deposited into an escrow account, as described above, and used to purchase non-callable, direct obligations of the United States of America (the “Government Securities”), the principal of which, together with interest to be earned thereon, and other funds deposited in the escrow account, must be sufficient to pay: (i) the principal of the Series 1987 Bonds as it becomes due, by reason of a sinking fund installment; (ii) the interest due on the Series 1987 Bonds as of January 1, 2003; and (iii) the redemption price of the Series 1987 Bonds on January 1, 2003. The Government Securities will be held in a separate escrow account established for the redemption of the Series 1987 Bonds. The principal of, and interest on, the Series 1987 Bonds will be payable from the escrow accounts administered for the benefit of the City and the holders of the outstanding Series 1987 Bonds.

Neither the maturing principal of the Government Securities purchased to refund the Series 1987 Bonds nor the interest earned thereon will serve as security for or be available for the payment of the principal of or interest on the Series 2002 Bonds.

## **Verification of Mathematical Computations**

Concurrently with the delivery of the Series 2002 Bonds, McGladrey & Pullen, LLP, independent certified public accountants (the “Verifiers”), will deliver a verification report stating that they have verified the mathematical accuracy of certain computations relating to the sufficiency of the principal of and interest on the Government Securities to provide for the timely payment of the principal or respective redemption prices of and interest on the Series 1987 Bonds as they become due. The computations will be based solely on assumptions and information supplied by the City. The Verifier will restrict its procedures to verifying the mathematical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the anticipated outcome.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

### *Sources of Funds*

Par Amount of Bonds	\$17,935,000.00
Accrued Interest from September 15, 2002 to September 24, 2002	22,886.19
Original issue discount	(28,142.40)
Amount on deposit in the Series 1987 Principal and Interest Account	5.35
Amount on deposit in the Series 1987 Reserve and Redemption Account	753,622.85
Amount on deposit in the Series 1987 General Account	<u>8,445,297.97</u>
<b>TOTAL SOURCES</b>	<b>\$27,128,669.96</b>

### *Uses of Funds*

Deposit to the Series 1987 Escrow Account (1)	\$2,810,964.97
Deposit to Principal and Interest Account (2)	22,891.54
Deposit to 2002 Project Account (3)	13,454,925.48
Deposit to Reserve and Redemption Account	1,793,500.00
Deposit to Excluded Contractual Obligations Sub-account of the General Account (4)	7,660,360.45
Deposit to the General Sub-account of the General Account (5)	784,937.50
Costs of Issuance (6)	<u>601,090.00</u>
<b>TOTAL USES</b>	<b>\$27,128,669.96</b>

(1) This amount includes \$2,057,342.12 of proceeds of the sale of the Series 2002 Bonds and \$753,622.85 which is on deposit in the Series 1987 Reserve and Redemption Account and will be deposited into the Series 1987 Escrow Account.

(2) This amount includes \$22,886.19 representing accrued interest and \$5.35 which is on deposit in the Series 1987 Principal and Interest Account and will be deposited into the Principal and Interest Account.

(3) This amount is intended to be used as follows: \$2,770,000 for improvements to be made in connection with the LakeShore 87<sup>th</sup> Street home development. \$4,500,000 for road improvements on 85<sup>th</sup> Street and Parnell Avenue and \$6,184,925.48 for improvements at the Simeon Career Academy. Of this amount, \$3,871,281.93 will be deposited into the 2002 Special Project Sub-account and will be used only to fund projects located within the Original Project Area.

(4) This amount is on deposit in the Series 1987 General Account and will be deposited into the Excluded Contractual Obligations Sub-account of the General Account.

(5) This amount is on deposit in the Series 1987 General Account and will be deposited into the General Sub-account of the General Account.

(6) This amount includes an underwriters' discount of \$261,090.00 and other costs of issuance.

**ESTIMATED TOTAL PLEDGED REVENUES, DEBT SERVICE AND DEBT SERVICE COVERAGE**

The following table sets forth the estimated total Pledged Revenues (including interest earnings), debt service and debt service coverage for the Series 2002 Bonds. The information contained in the table is based on certain information derived from the Consultant’s Report prepared by Johnson Research Group, Inc. attached to this Official Statement as APPENDIX B and on certain assumptions made by the Underwriters as referenced in the following footnotes.

**Estimated Total Pledged Revenues, Debt Service and Debt Service Coverage (1)**

Collection/ Distribution Year	Estimated Incremental Property Taxes	Estimated Incremental Sales Taxes(2)	Other City Revenues(3)	Reserve and Redemption Account Principal(4)	Estimated Reserve and Redemption Account Earnings(5)	Estimated Principal and Interest Account Earnings(6)	Estimated Program Expenses	Estimated Total Pledged Revenues and Application of Reserve and Redemption Account Principal Less Program Expenses(7)	Estimated Annual Debt Service	Estimated Debt Service Coverage(8)
2002	\$1,461,163	\$1,551,322	\$0	\$0	\$16,263	\$14,106	\$0	\$3,042,854	\$0	
2003	1,520,124	1,551,322	0	0	72,278	33,855	15,000	3,162,579	2,104,309	1.45
2004	1,559,670	1,551,322	0	0	72,278	33,855	15,000	3,202,125	2,183,768	1.45
2005	1,559,670	1,551,322	0	0	72,278	33,855	15,000	3,202,125	2,215,668	1.45
2006	1,559,670	1,551,322	0	0	72,278	33,855	15,000	3,202,125	2,214,778	1.45
2007	1,599,689	1,551,322	0	0	72,278	33,855	15,000	3,242,144	2,211,638	1.45
2008	1,543,201	1,551,322	0	0	72,278	33,855	15,000	3,185,656	2,241,373	1.45
2009	1,543,201	1,551,322	0	0	72,278	33,855	15,000	3,185,656	2,126,623	1.50
2010	1,585,953	1,551,322	294,938	0	72,278	33,855	15,000	3,523,346	2,127,383	1.50
2011	0	1,551,322	309,564	0	72,278	33,855	15,000	1,952,019	2,355,263	1.50
2012	0	1,551,322	302,251	0	72,278	33,855	15,000	1,944,706	1,302,275	1.50
2013	0	1,551,322	302,251	1,793,500	72,278	31,033	15,000	3,735,384	3,791,288	1.50
	\$13,932,341	\$18,615,864	\$1,209,004	\$1,793,500	\$811,321	\$383,689	\$165,000	\$36,580,719	\$24,874,366	

(1) The amounts set forth in this table include estimated Incremental Property Taxes, Incremental Sales Taxes, the deposit of funds to be made by the City from legally available funds (excluding funds in the Incremental Taxes Fund) each calendar year beginning on January 1, 2010 and ending on December 31, 2013, and

*(footnotes continued from previous page)*

earnings on the Reserve and Redemption Account and Principal and Interest Account. The amounts set forth in this table are based on certain estimates, assumptions and presumptions made by the Consultant and are discussed in further detail in the Consultant's Report attached hereto as APPENDIX B.

(2) Estimated Incremental Sales Taxes for the 2002 year and ensuing years are based on incremental municipal sales taxes and incremental state sales and use taxes for the 2001 calendar year. The breakdown between the sources is 53% incremental municipal sales taxes and 47% incremental state sales and use taxes. All funds generated by or supported by the incremental state sales and use taxes must be expended within the Original Project Area.

(3) Other City Revenues are those funds to be deposited by the City from legally available funds (excluding funds in the Incremental Taxes Fund) in each calendar year beginning January 1, 2010 and ending on December 31, 2013.

(4) Proceeds of the Series 2002 Bonds equal to the Debt Service Reserve Requirement will be deposited into the Reserve and Redemption Account on the date of issuance of the Series 2002 Bonds until the final principal payment date. On such date, the amount on deposit in such account will be transferred to the Principal and Interest Account and used to pay a portion of the final principal payment on the Series 2002 Bonds.

(5) Earnings on the Reserve and Redemption Account are estimated at 4.03% per annum. Amounts, including investment earnings, on deposit in the Reserve and Redemption Account in excess of the Debt Service Reserve Requirement will be transferred to the Principal and Interest Account and used to pay debt service on the Series 2002 Bonds. For year 2013, eleven months of interest have been estimated to be available for principal and interest payments.

(6) Earnings on the Principal and Interest Account are estimated at 1.83% per annum. For the year 2013, eleven months of earnings are estimated to be available for principal and interest payments.

(7) Pledged Revenues from all sources are shown as being received in the Collection/Distribution Year for payments of principal and interest on the Series 2002 Bonds for the next succeeding year. Pledged Revenues received in the final year (2013) are available for the payment of principal and interest on bonds in that same year (June 15 and December 15, 2013).

(8) Estimated Debt Service Coverage equals Estimated Total Pledged Revenues and Application of Reserve and Redemption Account Principal Less Program Expenses divided by Estimated Annual Debt Service.

## FINANCIAL INFORMATION

Summarized below is the historical Incremental Taxes distributed to the Incremental Taxes Fund for the Chatham Ridge Redevelopment Project Area for levy years ended December 31, 1995 through 2001.

### Summary of Historical Incremental Tax Distributions

Levy Year	Distribution Year	Incremental Property Tax Distributions(1)	Incremental Municipal Sales Tax Distributions	Incremental State Sales and Use Tax Distributions	Total Incremental Tax Distributions
1995	1996	\$668,872	\$104,647	\$152,084	\$925,603
1996	1997	641,098	76,317	139,761	857,176
1997	1998	1,010,784	121,682	134,612	1,267,078
1998	1999	1,499,577	554,410	268,369	2,322,356
1999	2000	1,492,160	628,314	639,529	2,760,003
2000	2001	1,110,095 (2)	823,820	727,502	2,661,417

(1) Source for the Incremental Property Tax distributions: Office of the City Comptroller.

(2) This amount includes (i) an estimated \$58,961 tax refund payable to Ryerson Steel pursuant to a recent PTAB decision (see the information under the caption, "REAL PROPERTY TAX SYSTEM AND LIMITS – Real Property Assessment, Tax Levy and Collection Procedures") and (ii) excludes year 2000 property taxes owed by Loews Cineplex (approximately \$375,000) which, pursuant to the plan of reorganization approved by the bankruptcy court, are due to be paid in equal installments beginning March 11, 2003, with the final payment due no later than six years from date of the assessment of the tax claim (see the information under the caption, "CHATHAM RIDGE REDEVELOPMENT PROJECT AREA – Constructed and Planned Improvements – Constructed Improvements").

## **TAX INCREMENT FINANCING**

The Original Project Plan was adopted by the City on December 18, 1986. At that time, the Act authorized the use of tax increment financing as a means for municipalities, after approval of a “redevelopment plan and project,” to redevelop “blighted,” “conservation” or “industrial park conservation” areas by financing redevelopment projects with future increases in real property taxes attributable to increases in real property values and increases in the receipts from Municipal Retailers' Occupation Taxes, Municipal Service Occupation Taxes, Retailers' Occupation, Use Taxes, Service Use Taxes, and Service Occupation Taxes (commonly referred to as “Sales Taxes”), expected to be generated from future increases in the volume of retail sales resulting from successful redevelopment in each case within a duly established redevelopment project area. The Series 1987 Bonds are secured by the City's pledge of all of its rights to incremental real property taxes that portion of incremental Sales Taxes levied and collected on behalf of the City and a portion of incremental Sales Taxes levied and collected by the State within the Original Project Area. Since adoption of the Original Project Plan, the Act has been amended to, among many other procedural and reporting requirements, limit financing redevelopment projects with future increases in Sales Taxes.

Incremental Sales Taxes are derived from the increase in the volume of retail sales within the Original Project Area. Incremental Sales Taxes include (i) that portion of incremental state sales and use taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund and (ii) incremental municipal sales taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund. See the information under the caption, “INCREMENTAL SALES TAXES.”

Incremental property taxes are derived from the increase in the equalized assessed valuation of real property within the Chatham Ridge Redevelopment Project Area over and above the equalized assessed valuation in effect at the time the redevelopment project area is established (the “Certified Initial Equalized Assessed Valuation”). Any increase in equalized assessed valuation above the Certified Initial Equalized Assessed Valuation is then multiplied, on an annual basis, by the aggregate tax rate resulting from the levy of real property taxes by all units of local government having taxing power over that real property. The product of this calculation, net of loss in collection, is the amount of incremental real estate tax revenues generated within the redevelopment project area. See the information under the caption, “REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures.”

To finance redevelopment project costs, a municipality may issue obligations secured by the anticipated tax increment revenue generated within the redevelopment project area. These redevelopment project costs include, but are not limited to, costs of studies and surveys, costs associated with the acquisition of land, costs of rehabilitation or repair of existing public or private buildings, costs of construction of public works or improvements, costs of job training and retraining programs and financing costs. Subject to certain limitations, tax increment financing may also apply to certain interest costs incurred by the developer of a project.

When the Original Project Area was created, for an area to be designated as a tax increment financing redevelopment project area, a municipality was required to demonstrate that

the prospective redevelopment project area qualified as a “blighted area” or as a “conservation area.” At the time of the Original Project Area, a “blighted area” could have been either an improved or vacant area in which five or more of the following factors were present: age, dilapidation, obsolescence, deterioration, illegal use of individual structures, structures below minimum code standards, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities, inadequate utilities, excess land coverage, deleterious land-use or lay-out, depreciation of physical maintenance or lack of community planning that is detrimental to the public safety, health, morals or welfare. For a vacant area, the Act required the municipality to find that sound growth of the taxing districts was impaired by a combination of two or more of the following factors: obsolete platting, diversity of ownership, tax and special assessment delinquencies, flooding, deterioration of structures or site improvements on adjacent land; otherwise the municipality had to demonstrate that the vacant land was a blighted improved area immediately before becoming vacant, or the area consisted of an unused quarry, railyard, railtracks or railroad rights of way, or was subject to chronic flooding as particularly provided in the Act, or the area consisted of an unused disposal site, containing earth, stone, building debris or similar material, which were removed from construction, demolition, excavation, or dredge sites, or the area was not less than 50 nor more than 100 acres, 75 percent (75%) of which was vacant.

The Act defined “conservation area” as any improved area within the boundaries of a redevelopment project area in which 50 percent (50%) or more of the structures had an age of 35 years or more. Such an area was not yet a blighted area but was in danger of becoming a blighted area and was detrimental to the public safety, health, morals or welfare because of a combination of three or more of the following factors: dilapidation, obsolescence, deterioration, illegal use of individual structures, presence of structures below minimum code standards, abandonment, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage, deleterious land use or layout, depreciation of physical maintenance, lack of community planning. Recent amendments to the Act have redefined “blighted area” and “conservation area.” See the information under the subcaption, “Recent Legislation.”

At the time that the Original Project Area was created, the Act required a municipality to hold a public hearing to consider the proposal. At the time that the Added Area was adopted, the Act required a municipality to hold a public hearing and convene an advisory joint review board to consider the proposal. Pursuant to that version of the Act, the joint review board consisted of representatives selected by certain taxing districts having taxing power over the area, and a member of the public. After considering all comments made by the public and the joint review board, if any, the municipality could adopt the necessary ordinances to create a redevelopment project area, but only after adopting an ordinance approving a redevelopment plan. Then, an ordinance approving tax increment allocation financing could be adopted.

### **Recent Legislation**

In 1999, the Illinois General Assembly adopted substantial amendments to the Act (the “1999 Act Amendments”) that became effective on November 1, 1999. The 1999 Act Amendments include the following provisions:

- adding definitions for each eligibility factor for blighted and conservation areas and for each factor relating to improved and vacant land; certain eligibility factors have been eliminated and others have been added, and additional findings are required to be made for blighted areas;
- prohibiting the inclusion in redevelopment plans of certain types of developments, such as vacant land with a golf course and related facilities and public land designated for recreational activities or nature preserves;
- permitting the estimated date of completion of a redevelopment project to be extended to December 31 of the year in which the payment to the municipal treasurer is to be made with respect to property taxes levied in the twenty-third calendar year after the year in which the ordinance approving the redevelopment project area is adopted;
- requiring the provision of replacement housing and relocation assistance where the redevelopment plan displaces more than a de minimis number of low-income or very low-income persons;
- adding certain items to the definition of “redevelopment project costs” to include, among other things, the increased educational cost attributable to assisted housing units for which financing assistance was obtained, up to 50 percent (50%) of the costs of construction of low-income and very low-income housing units, site improvements that serve as environmental barriers and certain costs of day care services for children of employees from low-income families;
- restricting the use of incremental taxes for items such as the construction of certain types of new municipal public buildings, a municipality’s general overhead or administrative costs and marketing costs;
- adding procedural steps in the process by which redevelopment plans and projects are adopted and operated, such as requiring a municipality to adopt an ordinance or resolution providing for a feasibility study to be conducted for a proposed redevelopment project area, requiring the establishment of an interested parties' registry, requiring municipalities planning to include 75 or more inhabited residential units or to remove ten or more inhabited residential units within a proposed redevelopment project area to hold a public meeting before mailing the notices of the public hearing and to conduct a housing impact study;
- expanding the membership and duties of the joint review board;
- expanding the annual reporting requirements for all redevelopment project areas and municipalities and designating the State Comptroller as the repository for these reports; and
- clarifying the definition of “surplus funds” to include any portion of the balance in the special tax allocation fund at the end of the fiscal year that has not been identified as required, pledged, earmarked or otherwise designated for payment of or securing of obligations or anticipated redevelopment project costs and requiring the distribution of any surplus funds from the special tax allocation fund to the taxing districts and the IDOR.

Effective August 7, 2001, the Act was further amended to, among other things, clarify and supplement certain of the 1999 Act Amendments, permit municipalities that issued bonds in connection with a redevelopment project prior to July 29, 1991 and municipalities that entered into contracts in connection with a redevelopment project before June 1, 1998 to continue to receive their proportional share of the Illinois Tax Increment Fund distribution until the date on which the project is completed or terminated, and permit municipalities that have extended the estimated dates of completion of redevelopment projects and retirement of obligations to finance redevelopment project costs to December 31, 2013, to continue to receive from the State a share of the Illinois Tax Increment Fund so long as the municipality deposits, from any funds available (excluding funds in the special allocation tax fund), an amount equal to the municipal share of the property tax increment deposited into the special allocation fund by the municipality for the most recent year that the property tax increment was distributed during the extension period. Additionally, Public Act 92-0624 (which was signed by the Illinois Governor on July 11, 2002), further amends the Act with regard to, among other things, certain notice provisions and circumstances under which a housing impact study or feasibility study are required.

## **INCREMENTAL SALES TAXES**

Pledged Revenues include, among other things, incremental state sales and use taxes and incremental municipal sales taxes generated within the Original Project Area and deposited into the Incremental Taxes Fund through December 31, 2013. Summarized below is the methodology for collection and distribution of incremental state sales and use taxes and municipal sales taxes.

### **Incremental State Sales and Use Taxes**

The amount of incremental state sales and use taxes distributed to the Incremental Taxes Fund established by the City for the Original Project Area is derived from a portion of the aggregate state sales and use taxes paid by retailers and servicemen on transactions at places of business located within the Original Project Area. Aggregate state sales and use taxes include the following taxes:

- (i) **Illinois Retailer's Occupation Tax.** This tax is imposed by the State at a rate of 6.25% on the sale of most items of nontitled tangible personal property by retailers, other than grocery food, drugs and medical appliances.
- (ii) **Illinois Service Occupation Tax.** This tax is imposed by the State at a rate of 6.25% on the sale of most items of nontitled tangible personal property by service providers, other than grocery food, drugs and medical appliances. (Collectively, the Illinois Retailer's Occupation Tax and Illinois Service Occupation Tax are referred to as the "Occupation Tax").
- (iii) **Illinois Use Tax.** This tax is imposed by the State at a rate of 6.25% on the privilege of using most items of titled personal property purchased outside of Illinois.
- (iv) **Illinois Service Use Tax.** This tax is imposed by the State at a rate of 6.25% on the privilege of using most items of real or tangible personal property acquired as an incident to the purchase of a service from a service provider in the State (other than food prepared for

immediate consumption, grocery food, drugs and medical appliances). (Collectively, the Illinois Use Tax and Illinois Service Use Tax are referred to as the “Use Tax”).

The total Occupation Tax rate within the City is 8.75% on general merchandise and 2.0% on qualifying food, drug and medical appliances. The 8.75% Occupation Tax on general merchandise is allocated as follows: (i) 5.0% (of the 6.25% Occupation Tax) is allocated to the State; (ii) 1.0% (of the 6.25% Occupation Tax) is allocated to the City (the “Municipal Sales Tax”); (iii) 1.0% (equal to the City’s Home Rule Municipal Retailer’s Occupation Tax) is allocated to the City (the “Home Rule Municipal Sales Tax”); (iv) 1.0% (including .25% of 6.25% Occupation Tax) is allocated to the County; and (v) .75% is allocated to the Regional Transportation Authority. The total Use Tax rate in the City is 6.25% on general merchandise (allocated 5.0% to the State and 1.25% to the State and Local Sales Tax Reform Fund) and 2.0% on qualifying food, drug and medical appliances.

Of the aggregate state sales and use taxes collected from retailers and servicemen in the Original Project Area, the State pays a portion of such amount to the State and Local Sales Tax Reform Fund, the Local Government Distributive Fund, the Local Government Tax Fund and the County and Mass Transit (collectively, the “Local Tax Funds”). The local component of the Occupation Tax rate within the City is 3.75% on general merchandise (including the Municipal Sales Tax, Home Rule Municipal Sales Tax and the amounts allocated to the County and Regional Transportation Authority) and 2.0% on qualifying food, drug and medical appliances. The local component of the Use Tax is 1.25% on general merchandise and 1.0% on qualifying food, drug and medical appliances. After giving effect to the payments to the Local Tax Funds, the overall State sales tax rate is 5.0%.

After deducting the payments to the Local Tax Funds from the aggregate state sales and use taxes collected from businesses located within the Original Project Area, the State then deducts the “initial state sales tax amount” for the Original Project Area. The initial state sales tax amount is aggregate state sales tax certified by the IDOR and paid by retailers and servicemen on transactions at places of business located within the Original Project Area during the calendar year immediately prior to the year in which the City adopted the use of tax increment allocation financing for the Original Project Area (i.e., 1985). The amount of state sales and use taxes in excess of the initial state sales tax amount is the “Increased State Sales Tax Revenue.” For the Original Project Area, the initial state sales tax amount is \$0.00.

From the Increased State Sales Tax Revenue, the State deducts an administrative fee equal to 3.0% to pay administrative costs associated with the collection and distribution of sales tax increment pursuant to the Act. The amount remaining is the “State Sales Tax Increment.” All of the State Sales Tax Increment, however, is not distributed to the Incremental Taxes Fund for the Original Project Area. The amount of State Sales Tax Increment distributed by the State to the Incremental Taxes Fund is limited by the following formula and appropriation.

*Distribution Formula.* To reduce the impact of the State sales and use tax increment allocation program on the State’s budget, the State legislature devised a formula which reduces the amount of State Sales Tax Increment distributed to redevelopment projects throughout the State. Based on the formula, the sum of the following amounts are eligible for distribution (the “Net State Sales Tax Increment”) to redevelopment projects (including the Original Project

Area): (a) 80% of the first \$100,000 of State Sales Tax Increment annually generated within the state sales tax boundary (i.e., within the Original Project Area); (b) 60% of the amount of State Sales Tax Increment in excess of \$100,000 but not exceeding \$500,000 of State Sales Tax Increment annually generated within a state sales tax boundary; and (c) 40% of all amounts in excess of \$500,000 of the State Sales Tax Increment annually generated within a state sales tax boundary. The sales tax increment remaining after application of the above-described formula is the “Net Sales Tax Increment.”

*Appropriation.* The amount of Net State Sales Tax Increment distributed to Incremental Taxes Fund is further reduced by the State to an amount appropriated by the State General Assembly. Each year the State General Assembly appropriates an aggregate amount that the IDOR is authorized to distribute, per quarter, from the Illinois Tax Increment Fund to satisfy the State’s net sales tax obligation. The portion of such appropriated amount that is distributed to the Incremental Taxes Fund is determined by multiplying the amount appropriated by the State by a fraction, the numerator of which is Net Sales Tax Increment and the denominator of which is the total net state sales and use tax increment generated by all state sales tax increment redevelopment projects throughout the State. The product is distributed to the Incremental Taxes Fund.

### **Municipal Sales Tax Increment**

The amount deposited into the Incremental Taxes Fund from municipal sales taxes is equal to the “Municipal Sales Tax Increment.” Pursuant to the Act, the “Municipal Sales Tax Increment” is equal to the increase in the aggregate amount of taxes paid to a municipality from the Local Government Tax Fund arising from sales by retailers and servicemen within the State Sales Tax Boundary or redevelopment project area, as the case may be, for as long as the State Sales Tax Boundary or redevelopment project area, as the case may be, exists over and above the aggregate amount of taxes as certified by the IDOR and paid under the Municipal Retailers’ Occupation Tax Act and the Municipal Service Occupation Tax Act by retailers and servicemen, on transactions at places of business located in the redevelopment project area or State Sales Tax Boundary, as the case may be, during the base year which shall be the calendar year immediately prior to the year in which the municipality adopted tax increment allocation financing.

The aggregate payment to the City from the Local Government Tax Fund is equal to the Municipal Sales Tax (i.e., the City’s current 1% portion of the Occupation Tax) imposed on sales by retailers and servicemen within the Original Project Area. As described above under the caption, “INCREMENTAL SALES TAXES – Incremental State Sales and Use Taxes,” the Occupation Tax is imposed at a rate of 6.25%. Of this tax, the City currently receives from the State an amount equal to 16% of the net receipts of this tax attributable to sales occurring within the City (or an amount equal to 1% of the 6.25% tax). Additionally, the City receives 100% of the net receipts of the Occupation Tax by the State at a rate of 1% on the sale of grocery food, drugs, and medical appliances by retailers in the City. Accordingly, for purposes of determining the Municipal Sales Tax Increment, the aggregate payments to the City from the Local Government Tax Fund is the amount of Municipal Sales Tax generated on sales by retailers and servicemen within the Original Project Area. Because the aggregate amount of taxes certified by the IDOR and paid under the Municipal Retailers’ Occupation Tax Act and the Municipal Service Occupation Tax Act by retailers and servicemen on transactions at places of business

located in the Original Project Area during 1985 (the base year immediately prior to the year in which the City adopted tax increment allocation financing) is \$0.00, the Municipal Sales Tax Increment distributed to the Incremental Taxes Fund is equal to the Municipal Sales Tax on sales made by businesses located in the Original Project Area. See the Consultant's Report for a more detailed explanation of the Municipal Sales Tax Increment.

## **REAL PROPERTY TAX SYSTEM AND LIMITS**

### **Real Property Assessment, Tax Levy and Collection Procedures**

*General.* Substantially all (approximately 99.98% percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City, including all of the Chatham Ridge Redevelopment Project Area, is located in Cook County (the "County"). The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

*Assessment.* The Cook County Assessor (the "Assessor") is responsible for assessing all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. Suburbs in the northern and northwestern portions of the County were reassessed in 2001; the City was reassessed in 2000; and suburbs in the western and southern portions of the County are in the process of being reassessed.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. The current classification percentages range from sixteen percent (16%) for certain residential, commercial and industrial properties to thirty-six percent (36%) and thirty-eight percent (38%), respectively, for other industrial and commercial property.

On April 18, 2000, the Cook County Board of Commissioners adopted an amendment to the County's Real Property Assessment Classification Ordinance (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, the amendment reduced certain property classification percentages and lengthened certain renewal periods of classifications. Additionally, the Classification Ordinance was amended on September 6, 2001 (to revise the requirements for qualifying under the Class 9 assessment class), on December 4, 2001 (to permit any Class 6a incentive active as of January 1, 2001 to be renewed) and on April 9, 2002 (to create new property tax classifications for (i) new development of industrial structures or the substantial rehabilitation and re-utilization of existing industrial structures for the County as a whole as well as for specific areas of special need and (ii) new development of commercial structures, or the substantial rehabilitation and re-utilization of existing commercial structures in areas that are depressed, blighted or threatened with blight, as an appropriate and necessary method of providing such assistance and encouragement and will result in increasing the tax base in such areas and for the entire County).

The Assessor has established procedures enabling taxpayers to contest their tentative Assessed Valuations. Once the Assessor certifies the final Assessed Valuations, a taxpayer can seek review of the assessment by filing a complaint with the Cook County Board of Review (the "Board of Review") which consists of three members elected by the voters of the County. The Board of Review has the power to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal decisions of the PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Act.

In March 2000 and August 2001, the PTAB rendered two series of decisions in which it granted reduced assessed valuations to owners of certain real property in the County employing lower levels of assessment. In the March decisions, the PTAB utilized the median levels of assessment derived from the IDOR's sales-ratio studies (the "Sales-Ratio Studies") as the mechanism for determining the assessment levels, instead of those set forth in the Classification Ordinance. Use of the Sales-Ratio Studies resulted in a lower assessment level than required by the Classification Ordinance. In its August 2001 decision, after examining the Sales-Ratio Studies, the PTAB held that the Assessor's assessment practices violated a provision of the Illinois Constitution, which limits the level of assessment of the highest class of property, in a county that classifies property, to two and one-half times the level of assessment of the lowest class of property in that county. As a result, the PTAB established a maximum assessment level that is significantly below the assessment levels for commercial and industrial property currently set forth in the Classification Ordinance. The Board of Review has appealed the March 2000 and August 2001 decisions of PTAB to the Illinois Appellate Court. If either of the PTAB decisions were affirmed in a final judicial decision, the lower levels of assessments could be applied to other property tax appeals then pending before either the PTAB or before a court, resulting in corresponding property tax refunds that the City would be obligated to pay. At present, however, the City is unable to predict the amount of any such refunds.

On February 21, 2002, The Civic Federation prepared a report entitled, "The Potential Financial Impact of Recent Decisions by the Illinois Property Tax Appeal Board," that analyzes the potential effect PTAB could have upon the City of Chicago and Cook County taxing agencies if PTAB continues to follow its current policies. The Civic Federation estimated that if the recent decisions of PTAB are applied on all property in the County, the Chicago Board of Education could lose annual revenue of up to \$107 million, the City could lose annual revenue of up to \$43 million and the County could lose annual revenue of up to \$49 million. For a more detailed discussion about the PTAB and the impact of its decisions, see the information contained in Section III of the Consultant's Report attached as APPENDIX B.

Recently, Ryerson Steel, an owner of two parcels of property located in the Chatham Ridge Redevelopment Project Area, appealed to the PTAB and as a result, received an estimated \$58,961 tax refund. The refund will be paid from the future incremental property taxes collected for the Chatham Ridge Redevelopment Project Area. If, in the future, additional property owners located in the Chatham Ridge Redevelopment Project Area appeal to the PTAB and, as a result, receive material reductions or modifications in the Assessed Valuations of their properties located in the Chatham Ridge Redevelopment Project Area, there could be an adverse material

effect on Incremental Property Taxes generated in the Chatham Ridge Redevelopment Project Area. See the information contained in Section III of the Consultant's Report.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an Objection in the Circuit Court of Cook County. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a certificate of error.

*Equalization.* After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year (including any revisions made by the Board of Review), the IDOR reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate Assessed Valuation of all real estate in each county to the statutory requirement of thirty-three and one third percent (33 1/3%) of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The following table sets forth the Equalization Factors for the levy years ended December 31, 1991 through 2000:

<u>Levy Year</u>	<u>Equalization Factor</u>
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489
1998	2.1799
1999	2.2505
2000	2.2235

In 1991, legislation was enacted by the State which provided that beginning in levy year 1992, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation affected only those taxing districts subject to rate limits and currently does not apply to the City. See the information under the subcaption, "Property Tax Limits."

*Exemptions.* The annual homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of any increase over the 1977 Equalized Assessed Valuation, up to a maximum reduction of \$4,500. Additional exemptions exist for (i) senior citizens, with the Assessor authorized annually to reduce the Equalized Assessed Valuation on a senior citizen's home by \$2,500, and (ii) disabled veterans, with the Assessor authorized annually to exempt up to \$58,000 of the Assessed Valuation of certain property owned and used exclusively by such veterans or their spouses for residential purposes. A homestead improvement exemption of up to \$45,000 allows owners of single family residences to make certain home improvements without increasing the Assessed Valuation of their property for at least four years. For rehabilitation of certain historic property, the Assessed Valuation is limited for eight years to the value when the rehabilitation work began. The Senior Citizens Tax Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older and have annual incomes of \$40,000 or less. In addition, certain property is exempt from taxation on the basis of ownership and/or use.

Additionally, since 1996, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under this exemption, longtime, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Exemption Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners; (i) who have resided in their homes for ten consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowners triennial assessment does not exceed 115% of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150% of the current average assessed value for properties in the assessment district where the property is located, and (iv) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the \$45,000 allowance set forth in the Property Tax Code.

*Tax Levy.* There are over 800 units of local government (the "Units") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Chicago Board of Education, the City of Chicago School Finance Authority, Community College District No. 508, the Metropolitan Water Reclamation District of Greater Chicago, the County and the Forest Preserve District of Cook County.

As part of the annual budgetary process of the Units, each year in which a determination is made to levy real estate taxes, proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared by the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed one hundred five percent (105%) for the levy of the preceding year, exclusive of levies for debt service, election costs and amounts due under public building commission leases. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit, on the adoption of the annual levy. No amount in excess of one hundred five percent (105%) of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures.

The Cook County Truth in Taxation Law, in effect in Cook County until December 31, 2002, imposes procedural limitations on Units having territory in the County and requires that notice be published, in prescribed form, of the Unit's annual levy, exclusive of levies for debt service, election costs and amounts due under public building commission leases. A public hearing must also be held on the stated day in the first week of December, which may not be in conjunction with the budget hearing of the Unit, on the intention to adopt an aggregate annual levy. The Cook County Truth in Taxation Law is repealed by its own terms as of January 1, 2003. No amount in excess of the preceding year's aggregate levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures of the Cook County Truth in Taxation Law.

As of the date of this Official Statement, the City is in compliance with the Illinois Truth in Taxation Law and the Cook County Truth in Taxation Law.

*Abatement.* The Property Tax Code authorizes any taxing unit, upon a majority vote of its governing authority and the determination of the Assessed Valuation of its property, to abate any portion of its taxes on certain types of property, including commercial and industrial facilities. The term and aggregate amount of the abatement is limited, depending on the property involved. The terms range from 10 to 20 years and the aggregate amounts allowed for abatement range from \$3,000,000 to \$12,000,000. The Property Tax Code also authorizes abatements for certain leasehold interests, leased low-rent housing and property within areas of urban decay.

Additionally, the Illinois Enterprise Zone Act authorizes the Illinois Department of Commerce and Community Affairs to certify a limited number of enterprise zones. Each unit of local government has the authority to abate property tax on business improvements added to real estate following the creation of an enterprise zone. The abatement applies to any class of property and is limited to the term of the enterprise zone. However, the Illinois Enterprise Zone Act provides that a municipality may not create a redevelopment project area that overlaps with an enterprise zone unless it amends the enterprise zone designating ordinance to limit the eligibility for tax abatements as provided in Section 5.4.1 of the Illinois Enterprise Zone Act.

*Collection.* Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills, if later. The first installment is an estimated bill equal to one-half of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, Assessed Valuation and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

Other than as described below, for the last ten years, the second installment "penalty date" (the date after which interest is due on unpaid amounts) was no later than September 25. The second installment "penalty date" for 1994 taxes was November 3, 1995, because of delays in the assessment process. The second installment "penalty date" for the 1997 taxes was October 28, 1998, because of changes to the assessment appeal process described above. The second installment "penalty dates" for 1998 and 2000 taxes were November 1, 1999 and November 1, 2001, respectively, also because of changes to the assessment appeal process described above. For the year 2001, the second installment tax bills have not been mailed and the second installment penalty date for tax year 2001 has not been established. It is possible that delays in the assessment process or changes to the assessment appeal process described above will cause delays similar to those experienced in 1995, 1998 and 1999 in preparing and mailing second installment tax bills in future years.

The County may provide for tax bills to be payable in four installments instead of two. To date, the County has not required the payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit weekly. Upon receipt of taxes from the County Collector, the City Treasurer credits the taxes received to the funds for which they were levied.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent (1.5%) per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 18 percent (18%) for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and are eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is scheduled to be held every two years on all property on which two or more years of taxes are delinquent. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

### **Property Tax Limits**

*State of Illinois.* The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County, five counties adjacent thereto, and certain other downstate counties, and (b) the ability of those entities to issue general obligation bonds without voter approval (the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent (5%) or the percent increase in the Consumer Price Index, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to the issuance of "limited bonds" payable from a Unit's "debt service extension base" or "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

As a home rule unit of government, the City is not subject to the State Tax Cap. However, from time to time, various public officials have stated that the State Tax Cap also should be made applicable to the City and other home rule municipalities. In addition, an advisory referendum posing the question "should the Illinois General Assembly limit annual property tax extension increases to a maximum of five percent (5%) or as provided by the Consumer Price Index, whichever is less," was considered by County voters at the November 1994 general election. This advisory question was approved by approximately 83 percent (83%) of County voters who cast ballots on the question. No such advisory referendum has been held since November 1994.

Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by a vote of three-fifths of the members elected to each house of the Illinois General Assembly. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

State law imposes certain notice and public hearing requirements on non-home rule Units of local government that propose to issue general obligation debt that is not approved by the voters. These requirements do not apply to the City.

*The City.* In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance"), limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent (5%), or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance provides a safe harbor for that portion of any property tax debt service levy equal to \$395,225,686, the aggregate amount of the interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to an annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases. The City Council amended the City Tax Limitation Ordinance in October 1997 to exclude certain school improvement taxes and thereafter, to exclude tax levies for certain of its general obligation bonds, from the limits set forth therein.

The tax limits set forth in the City Tax Limitation Ordinance may in future years adversely affect the City's ability to finance operations at current levels and limit the ability of the City to finance capital improvement projects through the issuance of property tax-supported bonds. However, the City Council may repeal or modify the City Tax Limitation Ordinance at any time.

See the information contained in the Consultant's Report attached as APPENDIX B for a discussion of the estimated effect of property tax limits on the tax rates of Units which collect real property taxes within the Chatham Ridge Redevelopment Project Area.

## **THE INDENTURE**

The following is a summary of certain provisions of the Indenture. Other provisions of the Indenture are described earlier in this Official Statement, under the captions “DESCRIPTION OF THE SERIES 2002 BONDS” and “SECURITY FOR THE SERIES 2002 BONDS.” Neither the following summary nor the descriptions contained elsewhere in this Official Statement are intended to be comprehensive or definitive and are qualified in their entirety by reference to the Indenture, copies of which are available for review prior to the issuance and delivery of the Series 2002 Bonds at the office of the City Comptroller, Room 600, 33 North LaSalle Street, Chicago, Illinois 60602, and thereafter at the office of the Trustee.

### **Application of Bond Proceeds**

Proceeds derived from the sale of the Series 2002 Bonds will be applied by the Trustee as follows:

(a) A portion of the proceeds will be deposited into a separate, segregated account within the Project Fund known as the “2002 Project Account.” A portion of the moneys in the 2002 Project Account will be deposited into a sub-account of the 2002 Project Account known as the “2002 Special Project Sub-account.” Amounts deposited into the 2002 Project Account (other than moneys deposited into the 2002 Special Project Sub-account) will be used to pay Project Costs. Amounts deposited in the 2002 Special Project Sub-account will be used to pay Project Costs with respect to redevelopment projects within the Original Project Area only.

(b) A portion of the proceeds from the sale of the Series 2002 Bonds will be transferred to the Series 1987 Escrow Agent and deposited into the Series 1987 Escrow Account to be applied to redeem the Series 1987 Bonds on January 1, 2003 in accordance with the Series 1987 Escrow Agreement.

(c) Accrued interest received by the City upon the sale of the Series 2002 Bonds will be deposited into the Principal and Interest Account and will be used to pay interest first coming due on the Series 2002 Bonds.

(d) An amount equal to the initial Debt Service Reserve Requirement for the Series 2002 Bonds will be deposited in a separate sub-account of the Reserve and Redemption Account at closing. The Debt Service Reserve Requirement is equal to the lesser of: (a) ten percent (10%) of the original principal amount of the Series 2002 Bonds, (b) Maximum Annual Debt Service of the Series 2002 Bonds, or (c) one hundred twenty-five percent (125%) of Average Annual Debt Service of the Series 2002 Bonds. See the information under the caption, “SECURITY FOR THE SERIES 2002 BONDS - Debt Service Reserve Requirement.”

(e) A portion of the proceeds will be used to pay the costs of issuance of the Series 2002 Bonds.

The amount that the City has now on deposit in the Incremental Taxes Fund established under the Series 1987 Bond Ordinance and held in the Series 1987 Principal and Interest Account, Series 1987 Reserve and Redemption Account and the Series 1987 General Account will be deposited by the Trustee and the City into the Principal and Interest Account, Reserve and Redemption Account and General Account, respectively. A portion of the amount deposited into the General Account will be deposited into the Excluded Contractual Obligations Sub-account of the General Account and applied only to pay the Excluded Contractual Obligations to which they are attributable. Subject to the provisions of the following sentence, when an Excluded Contractual Obligation has been paid and discharged or otherwise terminated, any moneys remaining in the Excluded Contractual Obligations Sub-account attributable to such Excluded Contractual Obligation will be released from the Sub-account and deposited into the General Sub-account of the General Account. Notwithstanding the foregoing sentence, if Plitt/ICE Chatham, L.L.C. or any successor to it, fails to pay in full ad valorem real property taxes extended against its property within the Chatham Ridge Redevelopment Project Area in a timely manner, all moneys remaining on deposit in the Excluded Contractual Obligations Sub-account attributable to the Redevelopment Agreement with Plitt/ICE Chatham, L.L.C., shall be transferred and deposited into the Reserve Sub-account of the General Account.

### **Additional Bonds and Refunding Bonds**

Subject to compliance with the conditions described below, the City may issue additional Bonds for the purposes authorized in the Chatham Ridge Redevelopment Plan or may issue Refunding Bonds. Except with respect to sub-accounts of the Reserve and Redemption Account which secure particular Series of Bonds and as otherwise provided in the Indenture, (a) any such additional Bonds or Refunding Bonds will share ratably and equally with the Series 2002 Bonds in the Pledged Revenues and (b) additional Bonds and Refunding Bonds will not have any terms creating a preference or priority of any Series of additional Bonds or Refunding Bonds over the Series 2002 Bonds, or any other Series of additional Bonds or Refunding Bonds.

*General Provisions for Issuance and Delivery of Bonds.* (a) Each Series of Bonds is created by a Supplemental Indenture which is required to prescribe expressly or by reference with respect to such Series (unless otherwise determined in the Indenture):

- (i) the authorized principal amount, designation and Series of such Bonds;
- (ii) the purpose for which such Series of Bonds are being issued;
- (iii) the manner in which the proceeds of the Bonds of such Series are to be applied;
- (iv) the date and the maturity date or dates of the Bonds of such Series;
- (v) the interest rate(s) of the Bonds of such Series, or the manner of determining such rate or rates, and the Interest Payment Dates and Record Dates;
- (vi) the authorized denominations and the manner of dating, numbering and lettering of the Bonds of such Series;

- (vii) the Registrar and the Paying Agent(s) for the Bonds of such Series;
- (viii) the Redemption Price(s), if any, and any redemption dates and terms for the Bonds of such Series;
- (ix) the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series or the manner of designating the same;
- (x) the amount and date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series, provided that the aggregate of such Sinking Fund Installments shall equal the aggregate principal amount of all such Bonds less the principal amount scheduled to be retired at maturity;
- (xi) provisions as to registration of the Bonds of such Series;
- (xii) the form and text of the Bonds of such Series and provision for the Trustee's authentication of such Bonds by certificate or otherwise;
- (xiii) the amount of the Debt Service Reserve Requirement with respect to such Series of Bonds, if any, calculated immediately after such authentication and delivery; and
- (xiv) any other provisions deemed advisable by the City as shall not conflict with the provisions of the Indenture.

(b) Bonds of the same Series and maturity must be of a like tenor except as to denomination and form. After the original issuance of Bonds of a Series, no Bonds of such Series will be issued except in lieu of or in substitution for the Bonds of such Series pursuant to the Indenture.

(c) Bonds issued pursuant to the Indenture may be issued as Current Interest Bonds, Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Tender Option Bonds, Variable Rate Bonds, Serial Bonds or Term Bonds, or any combination thereof, all as provided in the Supplemental Indenture providing for their issuance; provided, that the City will not issue Tender Option Bonds unless it has delivered to the Trustee upon the authentication of such bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the purchase price upon tender of any of such bonds.

*Conditions Precedent to the Delivery of any Series.* Bonds of any Series will be executed by the City and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered to the City or upon its order, but only following the receipt by the Trustee of:

(a) A copy of an ordinance adopted by the City Council, certified by the City Clerk, authorizing the execution and delivery of the applicable Supplemental Indenture;

(b) A Counsel's Opinion to the effect that (i) the City had the right and power to adopt the ordinance referred to in (a) above; (ii) the ordinance has been duly and lawfully adopted by the City Council, is in full force and effect, is valid and binding upon the City and is enforceable in accordance with its terms (except as limited by any applicable bankruptcy,

liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iii) the Indenture and the applicable Supplemental Indenture have been duly and lawfully executed by authorized officers of the City and delivered, are in full force and effect, are valid and binding upon the City, and are enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iv) the Indenture and the applicable Supplemental Indenture create the valid pledge of Pledged Revenues, moneys and securities held under them for the benefit and security of the Bonds, subject to their application in the manner provided therein; and (v) upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of Illinois, the Indenture and such Supplemental Indenture;

(c) A written order as to the delivery of such Series, executed by an Authorized Officer (i) stating the identity of the purchasers, aggregate purchase price and date and place of delivery of such Series and that no event of default has occurred and is continuing under the Indenture and (ii) fixing and determining all terms and provisions of the Bonds of such Series not fixed or determined by the Indenture or the applicable Supplemental Indenture;

(d) An original executed counterpart of the Indenture (or a copy duly certified by the City Clerk of the City) and the applicable Supplemental Indenture;

(e) With respect to all Series of Bonds, other than Refunding Bonds to the extent permitted by the Indenture as described below, issued and delivered subsequent to the delivery of the Series 2002 Bonds, a certificate of an Authorized Officer:

(i) setting forth the amount of projected Pledged Revenues for the current Bond Year and each Bond Year thereafter, which projection will be based (as to projected Incremental Taxes) on a report prepared by an Independent consultant having recognized urban renewal and tax increment financing expertise;

(ii) setting forth for the current Bond Year and each subsequent Bond Year, the Maximum Annual Debt Service Requirement for all Bonds then outstanding and the Bonds proposed to be issued;

(iii) establishing that the amounts shown in subparagraph (i) above for each Bond Year up to and including the Bond Year ending December 15, 2013 are not less than 100 percent of the amount shown in paragraph (ii) above for the following Bond Year; provided, that the calculations pursuant to subparagraph (ii) above will be exclusive of the final maturing principal amount of any series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the applicable sub-account in the Reserve and Redemption Account for such series are expected to be available to pay Bonds of such series on such final maturity date; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current.

*Additional Covenant Concerning Additional Bonds.* The City covenants that it will not issue additional Bonds of any Series without the advance written consent of the Owner or

Owners of at least a majority in principal amount of the Series 2002 Bonds. This covenant is for the benefit and protection of Allstate Insurance Company or its affiliate (“Allstate”), one of the initial Owners of the Series 2002 Bonds, and may be waived, in a single instance or permanently, at any time by Allstate without regard to the aggregate principal amount of Series 2002 Bonds at the time owned by it.

*Refunding Bonds.* (a) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any fund, account or sub-account under the Indenture as determined by the City in the Supplemental Indenture authorizing such Bonds.

(b) Refunding Bonds of a Series will be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents, securities and moneys required by paragraphs (a), (b), (c) and (d) under the subcaption “*Conditions Precedent to the Delivery of any Series*” above) of:

(i) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture so that the Bonds to be refunded or advance refunded will be paid or deemed to be paid pursuant to the Indenture.

(ii) Either (A) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds to be refunded or advance refunded on and prior to their redemption date or maturity date, as the case may be, which moneys will be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded or advance refunded, or (B) Government Obligations in such principal amounts, of such maturities, and bearing interest at such rates as will be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of the Indenture relating to payment or deemed payment.

(iii) A certificate of an Authorized Officer evidencing either that (A) (1) the term of the Refunding Bonds does not exceed the term of the Bonds being refunded, and (2) the Annual Debt Service Requirement for any Bond Year on account of all Bonds Outstanding, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds to be refunded, will not exceed the Annual Debt Service Requirement for the corresponding Bond Years on account of all the Bonds Outstanding, including the Bonds to be refunded, immediately prior to the issuance of such Refunding Bonds, or (B) in the case of a refunding of Outstanding Bonds that does not meet the requirements of the preceding clause (A), satisfaction of the test set forth in paragraph (e) under the subcaption “*Conditions Precedent to the Delivery of any Series*” above as applied to the Refunding Bonds to be issued under the provisions described under this subcaption, giving effect to the redemption or provision for payment of the Bonds being refunded.

(c) In applying the test set forth in subparagraph (b)(iii) above, if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued

constitute Tender Option Bonds or Variable Rate Bonds, the following provisions will be applied in determining the Annual Debt Service Requirements of such Bonds:

(X) *Tender Option Bonds.* If any of the Outstanding Bonds constitute Tender Option Bonds, then for purposes of the amounts to be shown as set forth in subparagraph (b)(iii) above, the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity will be ignored, and (1) if such Bonds also constitute Variable Rate Bonds, the City will adjust such amounts to be shown as set forth in subparagraph (b)(iii) above as provided in subparagraph (Y) below, (2) if such Bonds are secured by a Credit Facility, the Credit Bank or obligations secured by credit facilities issued by such Credit Bank will be rated in one of the three highest rating categories (without reference to gradations such as “plus” or “minus”) by any of the Rating Agencies, and (3) any obligation of the City may have, other than its obligation on such Bonds (which need not be uniform as to all Owners), to reimburse any Credit Bank, including any obligations so to reimburse in excess of the Annual Debt Service Requirements of such Bonds (determined without regard to whether such Credit Bank will then be holding or will then have had pledged to it such Bonds) will be subordinated to the obligation of the City on such Bonds.

(Y) *Variable Rate Bonds.* If any of the Outstanding Bonds constitute Variable Rate Bonds, then for purposes of the amounts to be shown as set forth in subparagraph (b)(iii) above, the interest rate used in such computation will be the lesser of (a) the maximum interest rate established in the Supplemental Indenture authorizing such Bonds and (b) if and so long as a Qualified Swap Agreement is in effect, the interest rate determined as if the Variable Rate Bonds had interest payments equal to the interest payable on those Variable Rate Bonds less any payments to the City from the Swap Provider and plus any payments by the City to the Swap Provider as required in the Qualified Swap Agreement (other than fees for providing the Qualified Swap Agreement). The conversion of Bonds constituting Variable Rate Bonds to bear interest at a different variable rate or a fixed rate(s), in accordance with their terms, will not constitute a new issuance of Bonds under the Indenture.

### **Hedging Transactions**

The Ordinance provides that the Mayor or Chief Financial Officer of the City are each authorized to execute and deliver agreements with respect to the Bonds with counterparties selected by the Chief Financial Officer for the purpose of reducing the City’s interest cost with respect to all or a portion of the Bonds or to reduce the City’s exposure to fluctuations in their interest rates payable on or a portion of the Bonds or to insure, protect or preserve the City’s investments from any loss (including losses caused by fluctuations in interest rates, markets or securities). Under the Ordinance, the stated aggregate notional amount under all such agreements will not exceed the aggregate original principal amount of the Bonds (net of offsetting transactions entered into by the City). Any agreement, to the extent practicable, will be substantially the form of either the Local Currency-Single Jurisdiction Version or the Multicurrency-Cross Border Version of the current ISDA Master Agreement accompanied by the United States Municipal Counterparty Schedule published by the International Swap Dealers Association or a related successor. Amounts payable by the City under any hedge agreement will be payable solely from the sources pledged to the payment of the related Series of Bonds.

If the City enters into a Qualified Swap Agreement with a Swap Provider requiring the City to pay a fixed interest rate on a notional amount, or requiring the City to pay a variable interest rate on a notional amount, and the City makes a determination that the Qualified Swap Agreement is being entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under the Qualified Swap Agreement is not in default under such Qualified Swap Agreement: (i) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the City under such Qualified Swap Agreement; (ii) any net payments required to be made by the City to the Swap Provider pursuant to the Qualified Swap Agreement from Pledged Revenues shall be made solely from amounts on deposit to the credit of the Incremental Taxes Fund; and (iii) any net payments received by the City from the Swap Provider pursuant to such Qualified Swap Agreement shall be deposited to the credit of the Incremental Taxes Fund.

If the City enters into a swap agreement of the type generally described in above that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then: (i) the interest rate adjustments or assumptions referred to in paragraph (i) of subsection (a) shall not be made; (ii) any net payments required to be made by the City to the Swap Provider pursuant to such swap agreement from Pledged Revenues shall be made only from amounts on deposit in the General Account; and (iii) any net payments received by the City from the Swap Provider pursuant to such swap agreement may be treated as Pledged Revenues at the option of the City, and if so treated, shall be deposited to the credit of the Incremental Taxes Fund.

### **The Trustee**

The Indenture provides for the appointment of the Trustee and sets forth the duties and responsibilities of the Trustee. Generally, the Trustee is not under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit, or to advance any of its own moneys, unless it is properly indemnified. Subject to the provisions of the following sentence, the Trustee is not liable in connection with the performance of its duties under the Indenture except for its own negligence or misconduct. However, if an Event of Default has occurred and has not been remedied, the Trustee is required to exercise such of the rights and powers vested in it by the Indenture, and to use the same degree of care and skill in the exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Trustee will not be deemed to have notice of any default under the Indenture except a default described under paragraphs (a) and (b) under the subcaption "Events of Default and Remedies" below or the failure of the City to file with the Trustee any document required by the Indenture unless any officer in the Trustee's corporate trust department has actual knowledge of such default or the Trustee is specifically notified in writing of such default by the City or by the Owners of not less than a majority in principal amount of the Bonds Outstanding. All notices and other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee.

## **General Covenants**

Under the Indenture, the City covenants as follows:

*Payment of Bonds.* The City will cause to be punctually paid from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that Fund for that purpose, the principal of, interest on and premium, if any, to become due in respect of the Bonds in strict conformity with the terms of the Bonds and the Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements thereof.

*Deposit of Municipal Sales Tax Increment.* The City will deposit the Municipal Sales Tax Increment (as such term is defined in Section 11-74.4-3 of the Act) generated within the State Sales Tax Boundary (as such term is defined in Section 11-74.4-3 of the Act) in the Chatham Ridge Redevelopment Project Area and paid to the City from the Local Government Tax Fund into the Incremental Taxes Fund and will certify the amount to the IDOR prior to the receipt of the Net State Sales Tax Increment (as such term is defined in Section 11-74.4-3 of the Act) generated within the State Sales Tax Boundary, all as provided in Section 11-74.4-8a(10) of the Act.

*Use of State Sales Tax Increment.* Net State Sales Tax Increment generated within the State Sales Tax Boundary in the Chatham Ridge Redevelopment Project Area will be spent only within the State Sales Tax Boundary, as provided in Section 11-74.4-8a(10) of the Act, including through payment of debt service on “obligations” incurred to finance Project Costs within the State Sales Tax Boundary in accordance with allocations made in the Series 2002 General Tax Certificate.

*Deposit of Additional Funds Into Incremental Taxes Fund.* As provided in Section 11-74.4-8a(1) of the Act, the City will deposit into the Incremental Taxes Fund, from any funds available other than funds in the Incremental Taxes Fund, in each calendar year from 2010 through 2013, with the amount of the 2010 deposit equal to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2009, the amount of the deposits in 2011, 2012 and 2013 equal to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2010, and an additional deposit being made in 2011 in the amount, if any, by which the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2010 exceeds the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2009. The City will make these deposits in a manner that will permit the State to deposit the Municipal Sales Tax Increment and the Net Sales Tax Increment in the Incremental Taxes Fund in accordance with the schedule established by the State for the deposits. The City has covenanted to appropriate the funds necessary to make these deposits. No ad valorem property tax levy will be made, filed or extended by the City to provide funds to make the deposits. No Owner will have the right to compel the City to levy any taxes to make the deposits. The City will notify the Trustee of the date and amount of each deposit promptly after the deposit has been made. On or before January 15, 2009, on or after January 15, 2010 and on or after January 15, 2011, the Trustee will send to the City written notice to make the deposit.

*Discharge of Liens.* The City will cause to be paid and discharged, from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that Fund for that purpose, any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided, that nothing contained in the Indenture will require the City to make any such payment so long as the City in good faith is contesting the validity of such claims.

*Maintenance of Books and Records.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries will be made of all transactions relating to the Bonds and to the Pledged Revenues. Such books of record and accounts will at all times during regular business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then outstanding, or their representatives authorized in writing.

*Financial Statements.* The City will prepare or cause the preparation of, within two hundred seventy (270) days after the close of each fiscal year of the City so long as any of the Bonds are Outstanding, audited financial statements with respect to the preceding fiscal year showing the Pledged Revenues received and all disbursements from the funds and accounts created by the Indenture, on a consolidated basis, as of the end of such fiscal year, which statements will be accompanied by a certificate or opinion in writing of an Independent certified public accountant. As long as Allstate is an Owner of any Outstanding Series 2002 Bonds, the City shall (i) each year, provide a copy of such audited financial statements to Allstate and (ii) provide Allstate such other financial information concerning the Chatham Ridge Redevelopment Project Area as Allstate may reasonably request.

*Defense of Claims.* The City will preserve and protect the security of the Bonds and the rights of their Owners and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the Bonds will be incontestable by the City.

*Further Actions.* The City will execute and deliver any and all instruments and assurances, as may be reasonably necessary or proper to carry out the intention of, or to facilitate the performance of, the Indenture, and to better assure and confirm unto the Owners of the Bonds the rights and benefits provided in the Indenture.

## **Events of Default and Remedies**

Each of the following constitutes an “Event of Default” pursuant to the Indenture:

- (a) default in the payment of the principal of or Redemption Price on any Bond when the same becomes due and payable, either at maturity or by proceedings for redemption or otherwise;
- (b) default in the payment of any installment of interest on any Bond when and as such payment becomes due and payable;

(c) default by the City in the performance of any obligation in respect of the Reserve and Redemption Account if such default continues for sixty (60) days thereafter;

(d) the City (1) commences a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (2) makes an assignment for the benefit of its creditors, (3) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (4) is adjudicated a bankrupt or has entered against it any order for relief in respect of an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law if such order continues in effect for a period of sixty (60) days without stay or vacation;

(e) a court of competent jurisdiction enters an order, judgment or decree appointing a receiver of the City, or of the whole or any substantial part of its property, or approves a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable federal or state law or statute if such order, judgment or decree is not vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property, if such custody or control is not terminated or stayed within sixty (60) days from the date of assumption of such custody or control; or

(g) the City defaults in the performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture on the part of the City to be performed, if such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Trustee (which may give such notice whenever it determines that such a default is subsisting and will give such notice at the written request of the Owners of not less than a majority in principal amount of the Bonds then outstanding); provided, however, that if the nature of the default is such that it cannot be cured within the 60-day period following receipt of notice specifying such default, but can be cured within a longer period, no event of default shall occur if the City institutes corrective action within such 60-day period and diligently pursues such action until the default is corrected.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Bonds affected by the Event of Default and then outstanding will, proceed to protect and enforce its rights and the rights of the Owners of the Bonds by a suit in equity or at law, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture or for any enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, deems most effective to protect and enforce such rights.

No Owner of any Bond will have the right to cause the acceleration of the Bonds if any Event of Default occurs under the Indenture.

## **Application of Revenues and Other Moneys after Default**

If an Event of Default occurs and is not remedied, the Trustee will apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture as follows and in the following order:

(a) First, to the payment of the reasonable and proper expenses of the Trustee, the Registrar and Paying Agents;

(b) Second, to the payment of principal or redemption premium, if any, and interest then due on the Bonds as follows:

(i) Unless the principal of all the Bonds has become due and payable, all moneys will be applied as follows:

(A) first, to the payment to the Persons so entitled of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled to such payment, without any discrimination or preference;

(B) second, to the payment to the Persons so entitled of the unpaid principal of any of the Bonds which will have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest upon the Bonds from the respective dates upon which they became due, and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal ratably according to the amount of such principal due on such date, to the Persons entitled to payment without any discrimination or preference; and

(C) third, to the payment of the Redemption Price of any Bonds called for redemption pursuant to the provisions of the Indenture.

(ii) If the principal of all the Bonds has become due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the Bonds as provided above, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled to payment without any discrimination or preference.

(c) Third, to the payment of principal and redemption premium, if any, and interest then due on the Junior Lien Obligations if and so long as during the current calendar year Incremental Taxes attributable to such calendar year have been received in an aggregate amount equal to 1.10 times debt service on the Bonds coming due in the next succeeding calendar year.

Whenever moneys are to be applied by the Trustee pursuant to the provisions described above under this heading, the moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys, in trust for the proper purpose, will constitute proper application by the Trustee; and the Trustee will incur no liability whatsoever to the City, to any Owner or to any other Person for any delay in applying any such funds, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee will exercise such discretion in applying such funds, it will fix the date (which will be an Interest Payment Date unless the Trustee will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date and of the endorsement to be entered on each Bond on which payment will be made, and will not be required to make payment to the Owner of any unpaid Bond until such Bond has been presented to the Trustee for appropriate endorsement, or some other procedure deemed satisfactory by the Trustee.

#### **Restriction on Owners' Action**

No Owner of any Bond will have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or for any remedy thereunder, unless such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in principal amount of the Bonds then Outstanding have filed a written request with the Trustee, and have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities so to be incurred, and the Trustee has refused or failed to comply with such request within sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture.

#### **Rights of Credit Bank or Bond Insurer**

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer will be treated as the Owner of Bonds upon which the Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to this Article; *provided*, that the Credit Bank or Bond Insurer will cease to be so regarded as Owner of the Bonds in the event the Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Subject to the provisions of any applicable Supplemental Indenture, until the City has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, (i) the Bonds will be deemed to be Outstanding and the Credit Bank or Bond Insurer will succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until the amount has been reimbursed and (ii) upon presentation to the Registrar, the Bonds will be registered in the name of the Credit Bank or its nominee or such Bond Insurer or its nominee, as appropriate.

### **Supplemental Indentures**

Without the consent of, or notice to, any of the Owners of the Bonds, the City and the Trustee may enter into an indenture or indentures supplemental to, and not inconsistent with the terms and provisions of, the Indenture for any one or more of the following purposes:

- (a) to authorize a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;
- (b) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of Bonds, or of other notes, bonds, obligations or evidences of indebtedness;
- (c) to impose additional covenants or agreements to be observed by the City;
- (d) to impose other limitations or restrictions upon the City;
- (e) to surrender any right, power or privilege reserved to or conferred upon the City by the Indenture;
- (f) to confirm, as further assurance, any pledge of or lien upon the Pledged Revenues or any other moneys, securities or funds;
- (g) to cure any ambiguity, omission, inconsistency or defect in the Indenture;
- (h) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;
- (i) to provide for the appointment of any successor Fiduciary;
- (j) to authorize the issuance of Junior Lien Obligations and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with this Indenture as then in effect; and
- (k) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

In addition to supplemental indentures for the purposes described above, the City and the Trustee may enter into any other supplemental indenture or indentures for the purpose of modifying or amending the Indenture with the written consent (a) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, that if a modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and the Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds for this purpose. No modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of the Bond, or may reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or may change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For this purpose, a Series will be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination will be binding and conclusive on the City and all Owners of the Bonds.

### **Discharge of the Indenture**

If the City (a) pays or causes to be paid to the Owners of the Bonds, the principal, premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein and in the Indenture, (b) pays or causes to be paid all fees and expenses of the Trustee, the bond registrar and the paying agent and (c) performs and observes all of its covenants in the Bonds and in the Indenture, then the Indenture and the rights granted by it with respect to the Bonds so paid will terminate.

Bonds will be deemed to have been paid within the meaning of the Indenture when sufficient moneys or sufficient Defeasance Obligations (including interest thereon when due) have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to each specified redemption date or maturity date of such Bonds, as the case may be; provided, however, that if such Bonds are to be redeemed prior to maturity, notice of redemption has been given as provided in the Indenture or arrangements satisfactory to the Trustee have been made for the giving of notice.

### **No Recourse on the Bonds**

No Owner of Bonds will have recourse for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based on them or on the Indenture against any past, present or future member of the City Council, officer, employee or agent of the City, or any

successor public body or any person executing the Bonds, either directly or through the City, under any rule of law or equity, statute or constitution or otherwise and all such liability of any such members, officers, employees or agents as such is expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

No officer, member, agent or employee of the City will be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds; but nothing in this Indenture will relieve any such officer, member, agent or employee from the performance of any official duty provided by law.

All covenants, stipulations, obligations and agreements of the City in the Indenture will be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized and permitted by the Constitution and laws of the State of Illinois, and no covenants, stipulations, obligations or agreements in this Indenture will be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the City in his or her individual capacity, and no officer executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issue of such Bonds. No member, officer, agent or employee of the City will incur any personal liability in acting or proceeding or in not acting or not proceeding in accordance with the terms of this Indenture.

### **CONSULTANT'S REPORT**

The City has received the Consultant's Report attached to this Official Statement as APPENDIX B. The Consultant's Report documents the Consultant's estimates of the Incremental Taxes to be derived from the Chatham Ridge Redevelopment Project Area in the calendar years from 2002 through 2013. The Consultant's Report is based on numerous assumptions which are material to the estimates of Incremental Taxes contained in the Consultant's Report. Investors should read and carefully consider all of such assumptions, including the assumption that certain specified risks will not materialize. The City and Underwriters have not independently verified the projections of Incremental Taxes contained in the Consultant's Report. See the information under the caption, "BONDOWNERS' RISKS."

### **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, pursuant to a contract of purchase, to purchase the Series 2002 Bonds at a price equal to \$17,668,653.79 (representing the aggregate principal amount of the Series 2002 Bonds less an underwriters' discount of \$261,090.00 and a net original issue discount of \$28,142.40 plus accrued interest from September 15, 2002 of \$22,886.19). The purchase contract requires the Underwriters to purchase all of the Series 2002 Bonds if any are purchased.

### **FINANCIAL ADVISOR**

The City has retained Kathleen A. Thomas as its financial advisor to render certain professional services in connection with the issuance and sale of the Series 2002 Bonds. The financial advisor has provided advice on the plan of finance and structure of the Series 2002 Bonds and has reviewed certain documents, including this Official Statement, with respect to

financial matters. The financial advisor has not independently verified the factual information contained in this Official Statement but has relied on the information provided by the City and other sources.

## **LEGAL MATTERS**

The Series 2002 Bonds will be offered for sale subject to the approval of legality by Schiff Hardin & Waite, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel, and for the Underwriters by their co-counsel, Shefsky & Froelich, Ltd., Chicago, Illinois, and Charity & Associates, P.C., Chicago, Illinois. In addition, appropriate certificates in connection with such matters and matters affecting the requirements which must be met in order for the interest on the Series 2002 Bonds to be excluded from gross income for federal income tax purposes will be obtained from the City.

The various legal opinions to be delivered concurrently with the delivery of the Series 2002 Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed in those opinions. By rendering a legal opinion, the attorney or firm giving the opinion does not undertake to be an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

## **LITIGATION**

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City or the legality of the Chatham Ridge Redevelopment Project Area, or which would restrain or enjoin the issuance or delivery of the Series 2002 Bonds, or which concerns the proceedings of the City taken in connection with the issuance of the Series 2002 Bonds, or which would adversely affect the security for the Series 2002 Bonds, including the pledge of Pledged Revenues and the ability of the City to receive Incremental Taxes.

## **TAX EXEMPTION**

In the opinion of each Co-Bond Counsel, under present law, interest on the Series 2002 Bonds is not includible in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant described below.

Certain requirements must be met on a continuing basis in order for the interest on the Series 2002 Bonds to be and continue to be excludable from gross income for federal income tax purposes. These requirements relate to the use and investment of various proceeds and funds of the City in connection with the Series 2002 Bonds and the use of property financed by the Series 2002 Bonds. The City has covenanted to comply with all of these requirements. If the City were to fail to comply with these requirements, interest on the Series 2002 Bonds could become includible in gross income for federal income tax purposes retroactively to the date the Series 2002 Bonds are issued. In such event, there is no requirement that payment of principal of, or

interest on, the Series 2002 Bonds be accelerated or that any additional interest or penalties be paid to the Owners of the Series 2002 Bonds.

The amortization of original issue premium on the Series 2002 Bonds is not deductible from gross income for federal income tax purposes. Prospective purchasers of the Series 2002 Bonds to be purchased at a premium should consult with their tax advisors with respect to the federal, state and local tax consequences of owning such Series 2002 Bonds.

Co-Bond Counsel are also of the opinion that interest on the Series 2002 Bonds is not an item of tax preference for purposes of computation of the alternative minimum tax for individuals or corporations. Interest on the Series 2002 Bonds is, however, included in “earnings and profits” of certain corporations and thus may be taken into account in the calculation of the alternative minimum tax for those corporations. Interest on the Series 2002 Bonds may also be taken into account in calculating federal income taxes based in whole or in part on “earnings and profits” for certain corporations, such as the branch profits tax.

Ownership of the Series 2002 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 2002 Bonds should consult their tax advisors as to applicability of any of those collateral consequences.

The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Series 2002 Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2002 Bonds are Outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2002 Bonds.

In rendering their opinions on tax exemption, Co-Bond Counsel will receive and rely upon certifications and representations of facts, estimates and expectations furnished by the City which Bond Counsel will not have verified independently.

Interest on the Series 2002 Bonds is not exempt from present Illinois income taxes.

### **ORIGINAL ISSUE DISCOUNT**

The initial offering prices of certain of the Series 2002 Bonds may be less than the principal amount of those Series 2002 Bonds payable at maturity. As a result, those Series 2002 Bonds will be considered for tax purposes to be issued with original issue discount (the “Original Issue Discount Bonds”). The difference between the initial offering price of any Original Issue Discount Bonds (assuming it is the first price at which a substantial amount of such maturity is sold) (the “Issue Price”) and the principal amount payable at the principal payment date will be treated as “original issue discount.” With respect to a taxpayer who purchases an Original Issue Discount Bond in the initial offering at the Issue Price and who holds such an Original Issue

Discount Bond to the principal payment date, the full amount of original issue discount will constitute interest which is not includible in the gross income of the owner of such an Original Issue Discount Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such an Original Issue Discount Bond upon the principal payment date.

The original issue discount on each Original Issue Discount Bond is treated as accruing daily over the term of such Original Issue Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on December 1 and June 1 (with straight line interpolation between compounding dates).

The Code provides, with respect to tax-exempt obligations such as the Original Issue Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Original Issue Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Original Issue Discount Bonds (including sale, redemption or payment at the principal payment due date). An owner of an Original Issue Discount Bond sold at original issue discount who disposes of the Original Issue Discount Bond prior to the principal payment date should consult the owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss recognized upon the sale or other disposition of the Original Issue Discount Bond prior to the principal payment date.

A portion of the original issue discount that accrues in each year to an owner of an Original Issue Discount Bond may result in certain collateral federal income tax consequences as described under "TAX EXEMPTION" herein. In the case of a corporation, that portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability. Corporate owners of any such Original Issue Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Original Issue Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Original Issue Discount Bonds in the initial offering but at a price different from the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of those Original Issue Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchases of bonds such as the Original Issue Discount Bonds sold at original issue discount. Owners who did not purchase Original Issue Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of such Original Issue Discount Bonds.

Owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Original Issue Discount Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued original issue discount on those Original Issue Discount Bonds may be

deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

## **SECONDARY MARKET DISCLOSURE**

The City will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the beneficial owners of the Series 2002 Bonds to send annually certain information and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “1934 Act”).

The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Series 2002 Bonds, the Ordinance or the Indenture and beneficial owners of the Series 2002 Bonds are limited to the remedies described in the Undertaking. See the information contained under the subcaption, “Consequences of Failure of the City to Provide Information.” A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2002 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2002 Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

### **Annual Financial Information Disclosure**

The City covenants that it will disseminate its Audited Financial Statements (as described below) to each Nationally Recognized Municipal Securities Information Repository (a “NRMSIR”) then recognized by the SEC for purposes of the Rule and to any public or private repository designated by the State as the state depository (the “SID”) and recognized as such by the SEC for purposes of the Rule. The City is required to deliver such information so that such entities receive the information by the date specified in the Undertaking (within 270 days after the end of the City’s fiscal year - currently December 31). “Audited Financial Statements” means the audited financial statements with respect to the Series 2002 Bonds, the Chatham Ridge Redevelopment Project Area, the Incremental Taxes and the other Pledged Revenues prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

### **Events Notification; Material Events Disclosure**

The City has agreed that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the “MSRB”) and to the SID, if any, in a timely manner the

disclosure of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the 1934 Act. The “Events,” certain of which may not be applicable to the Series 2002 Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Series 2002 Bonds;
7. modifications to rights of Series 2002 Bond Owners;
8. bond calls;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities; and
11. rating changes.

### **Consequences of Failure of the City to Provide Information**

The City will give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Audited Financial Statements when the same are due under the Undertaking.

The City is in compliance with undertakings previously entered into by it pursuant to the Rule. In the event of a failure of the City to comply with any provision of the Undertaking, the beneficial Owner of any Series 2002 Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertaking will not be deemed a default under the Series 2002 Bonds, the Ordinance or the Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking will be an action to compel performance.

### **Amendment; Waiver**

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or type of business conducted;

(ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2002 Bonds, as determined by parties unaffiliated with the City (such as the Trustee or Co-Bond Counsel); or

(b) the amendment or waiver is otherwise permitted by the Rule.

### **Termination of Undertaking**

The Undertaking will be terminated if the City no longer has any legal liability for any obligation on or relating to repayment of the Series 2002 Bonds under the Indenture. If this provision is applicable, the City will give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any.

### **Additional Information**

Nothing in the Undertaking will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Audited Financial Statements or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the City will have no obligation under the Undertaking to update such information or include it in any future Annual Financial Statements or notice of occurrence of a material Event.

## MISCELLANEOUS

The summaries or descriptions in this Official Statement of provisions in the Indenture, Chatham Ridge Redevelopment Plan, City's planning documents and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions and do not constitute complete statements of such documents or provisions. Reference is made to the complete documents relating to such matters for further information.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. There is no assurance that the facts will materialize as so opined or estimated. The City has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the City Comptroller on behalf of the City.

CITY OF CHICAGO

By: /s/ Tariq Malhance  
Tariq Malhance  
City Comptroller

## APPENDIX A CERTAIN DEFINITIONS

“**Accreted Amount**” means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing such Bonds as the amount representing their initial public offering price, plus the amount of interest that has accreted on such Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Bonds. The Accreted Amounts for such Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

“**Act**” means the Tax Increment Allocation Redevelopment Act of the State of Illinois, 65 ILCS 5/11-74.4-1 *et seq.*, as amended and supplemented from time to time.

“**Added Area**” means the approximately 22.5 acres of land added to the Original Project Area by the Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment No. 2, dated December 6, 2001 prepared for by the City by Teska Associates, Inc. and approved by City Council on March 27, 2002.

“**Annual Debt Service Requirement**” means, with respect to any Bond Year, the aggregate of the Interest Requirement and the Principal Requirement for such Bond Year.

“**Authorized Denominations**” means, for any series of Bonds, the denominations specified for the bonds in the applicable Supplemental Indenture, and for the Series 2002 Bonds, is \$5,000 or any integral multiple thereof.

“**Authorized Officer**” means the Mayor, the Chief Financial Officer or any other officer or employee of the City authorized to perform specific acts or duties under the Indenture by ordinance or resolution duly adopted by the City Council.

“**Average Annual Debt Service Requirement**” means, as of any date of calculation, the mathematical mean of the Annual Debt Service Requirements for all Outstanding Bonds.

“**Bond**” or “**Bonds**” means any bond or bonds issued and outstanding under the Indenture from time to time including any Refunding Bonds.

“**Bond Insurance Policy**” means any municipal bond new issue insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities of a Series of Bonds as may be provided in the applicable indenture or supplemental indenture authorizing such Series.

**“Bond Insurer”** means any person authorized under law to issue a Bond Insurance Policy.

**“Bond Year”** means the initial period beginning on the date of issuance of a Series of Bonds and ending on December 15 of the year in which the Series of Bonds is issued, and thereafter each 12-month period commencing on December 16<sup>th</sup> of each calendar year and ending on December 15<sup>th</sup> of the next succeeding calendar year.

**“Business Day”** means a day which is not a Saturday, a Sunday, a legal holiday or a day on which banks and trust companies in the city where the principal corporate trust office of any Fiduciary is located are authorized by law or executive order to remain closed (and such Fiduciary is in fact closed).

**“Capital Appreciation and Income Bond”** means any Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified for such Bond and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified for such Bond, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

**“Capital Appreciation Bond”** means any Bond the interest on which (i) is compounded periodically on certain designated dates; (ii) is payable only at maturity or redemption prior to maturity, and (iii) is determined by subtracting from the Accreted Amount its initial public offering price, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond.

**“Certified Initial Equalized Assessed Valuation”** means, with respect to the Chatham Ridge Redevelopment Project, the sum of \$2,626,632, representing (a) the total initial equalized assessed value” (as defined in the Act) of the taxable real property within the Original Project Area, plus (b) the “total initial equalized assessed value” of the taxable real property within the Added Area, in each case certified by the Clerk of The County of Cook, Illinois, in accordance with Section 11-74.4-9 of the Act.

**“Chatham Ridge Redevelopment Plan”** means the Original Redevelopment Plan, as amended by Amendment No. 1 approved by the City Council on October 30, 1996 to include additional redevelopment project costs which were eligible for tax-exempt financing pursuant to the Act as then in force, as further amended by the Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment No. 2, dated December 6, 2001 prepared for the City by Teska Associates, Inc. and approved by City Council on March 27, 2002, as further amended by the Chatham Ridge Tax Increment Financing Redevelopment Plan and Project Amendment No. 3 approved by the City Council on May 29, 2002 to extend the estimated date of completion of the Project and the retirement of obligations payment from the Incremental Taxes Fund.

**“Chatham Ridge Redevelopment Project Area”** means the Chatham Ridge Redevelopment Project Area that was designated as a “redevelopment project area” under the Act by the ordinance adopted by the City Council on December 18, 1986 entitled “An Ordinance Designating Chatham Ridge Area As “Redevelopment Project Area” Pursuant to the Tax

Increment Allocation Redevelopment Act” as amended by the ordinance adopted by the City Council on March 27, 2002 entitled “An Ordinance of the City of Chicago, Illinois, Designating the Expanded Chatham Ridge Redevelopment Project Area Amendment No. 2 a Redevelopment Project Area pursuant to the Tax Increment Allocation Redevelopment Act.”

“**Chief Financial Officer**” means the Chief Financial Officer of the City appointed by the Mayor of the City or, if there is no such officer then holding that office, the City Comptroller.

“**City**” means the City of Chicago, a home rule unit of local government.

“**City Council**” means the governing body of the City as from time to time constituted.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Code and Regulations**” means the Code and the Income Tax Regulations.

“**Consultant**” means Johnson Research Group, Inc.

“**Consultant's Report**” means the report prepared by Johnson Research Group, Inc. estimating Incremental Taxes to be collected annually from the Chatham Ridge Redevelopment Project Area during the period from January 1, 2002 through December 31, 2013 and as attached hereto as APPENDIX B.

“**Credit Bank**” means, as to any particular Series of Bonds, the Person (other than a Bond Insurer) providing a Credit Facility, as may be provided in the Supplemental Indenture authorizing such Series.

“**Credit Facility**” means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy, as may be provided in the Supplemental Indenture authorizing such Series.

“**Current Interest Bond**” means any Bond the interest on which is payable on the Interest Payment Dates provided for it in the Supplemental Indenture authorizing such Bond, and includes Capital Appreciation and Income Bonds from and after the Interest Commencement Date specified for them.

“**Debt Reserve Credit Instrument**” means, as to any particular Series of Bonds, an insurance policy or bond that guarantees or assures the timely payment of principal or interest, or both, on Outstanding Bonds in a stated amount subject only to notification that there are insufficient funds for such purpose. This definition also includes any related covenants or agreements contained in any agreement with the insurer required by the insurer in order to obtain a policy.

“**Debt Service Reserve Requirement**” means, with respect to the Bonds of any Series outstanding at any time, that amount, if any, as shall be required to be maintained in the applicable sub-account of the Reserve and Redemption Account established by the terms of the Supplemental Indenture authorizing such Series of Bonds. For the Series 2002 Bonds, the “debt

service reserve requirement” shall mean an amount equal to the lesser of: (a) ten percent (10.0%) of the original principal amount of the Series 2002 Bonds, (b) one hundred percent (100%) of the Maximum Annual Debt Service Requirement of the Series 2002 Bonds, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service Requirement of the Series 2002 Bonds.

**“Defeasance Obligations”** means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (ii) of this definition), or (ii) direct obligations (including obligations issued in book-entry form on the books of the Department of the Treasury) of the United States of America.

**“Depository”** means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least \$1,000,000 selected by an Authorized Officer as a Depository of moneys and securities held under the provisions of the Indenture and may include the Trustee.

**“DTC”** means The Depository Trust Company, New York, New York, in its capacity as securities depository for the Series 2002 Bonds.

**“DTC Participant”** means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Series 2002 Bonds with DTC pursuant to the book-entry only system.

**“Event of Default”** means any event so designated and specified in the Indenture.

**“Excluded Contractual Obligations”** means (i) the obligations of the City to reimburse Home Depot U.S.A., Inc. for costs of certain “TIF Funded Improvements” pursuant to Section 4.03(a) of the redevelopment agreement between the City and Home Depot U.S.A., Inc.; (ii) any commitment the City may make to reimburse Plitt/ICE Chatham, L.L.C. for costs of certain “TIF-Funded Improvements” pursuant to a redevelopment agreement authorized by City Council on May 20, 1998 but which has not yet been executed by the City and Plitt/ICE; and (iii) certain obligations of the City to Lakeshore 87th Street Homes Limited Partnership that are not otherwise payable out of the Project Fund to pay directly or reimburse the Developer for costs of certain “TIF-Funded Improvements” pursuant to a redevelopment agreement authorized by City Council on October 31, 2001 but has not yet been executed by the City and Lakeshore 87<sup>th</sup> Street Homes.

**“Fiduciary”** or **“Fiduciaries”** means Trustee, the Registrar, the Paying Agents and any depository, or any or all of them, as may be appropriate.

**“First Supplemental Indenture”** means the First Supplemental Indenture dated as of September 15, 2002 from the City to the Trustee relating to the Series 2002 Bonds, and any amendments and supplements to it.

**“Fiscal Year”** means the period January 1 through December 31 of the same year.

**“Government Obligations”** means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of

America; and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any person to whom the custodian may be obligated.

**"IDOR"** means the Illinois Department of Revenue.

**"Income Tax Regulations"** means the regulations proposed or promulgated under the Internal Revenue Code of 1986, as amended, as such regulations may be in effect from time to time.

**"Incremental Property Taxes"** means the ad valorem taxes, if any, arising from the tax levies upon taxable real property in the Chatham Ridge Redevelopment Project Area by any and all taxing districts or municipal corporations having the power to tax real property in the Chatham Ridge Redevelopment Project Area, which taxes are attributable to the increase in the then current equalized assessed valuation of each taxable lot, block, tract or parcel of real property in the Chatham Ridge Redevelopment Project Area over and above the Certified Initial Equalized Assessed Valuation of each such piece of property, as determined by the Clerk of The County of Cook, Illinois.

**"Incremental Sales Taxes"** means (i) the Municipal Sales Tax Increment (as such term is defined in Section 11-74.4-3 of the Act) generated within the State Sales Tax Boundary (as such term is defined in Section 11-74.4-3 of the Act) in the Chatham Ridge Redevelopment Project Area, paid to the City from the Local Government Tax Fund and deposited into the Incremental Taxes Fund, and (ii) the Net State Sales Tax Increment (as such term is defined in Section 11-74.4-3 of the Act) generated within the State Sales Tax Boundary, paid to the City from the Illinois Tax Increment Fund and deposited into the Incremental Taxes Fund.

**"Incremental Taxes"** means the Incremental Sales Taxes and the Incremental Property Taxes.

**"Incremental Taxes Fund"** means the Chatham Ridge Redevelopment Project Area Special Tax Allocation Fund of the City, a special tax allocation fund for the Chatham Ridge Redevelopment Project Area established pursuant to Section 11-74.4-8 of the Act and originally created by an ordinance of the City adopted on December 18, 1986, as continued and further described in the Indenture.

**"Indenture"** means the Trust Indenture dated as of September 15, 2002, as from time to time amended and supplemented by Supplemental Indentures (including the First Supplemental Indenture) executed and delivered by the City and the Trustee.

**"Independent"** when used with respect to any specified Person means a person who is in fact independent and not connected with the City as an officer, employee, underwriter or Person performing a similar function.

**“Interest Commencement Date”** means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date of such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

**“Interest Payment Date”** means any date on which interest on a Series of Bonds is payable as established in the Supplemental Indenture authorizing such Series. For the Series 2002 Bonds, the “Interest Payment Dates” shall be June 15th and December 15th of each year, commencing on June 15, 2003.

**“Interest Period”** means the period from the date of the Bonds of any Series to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

**“Interest Requirement”** shall mean for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding, the total of the sums that would be deemed to accrue on such Bonds during such Bond Year or Interest Period if the interest on the Current Interest Bonds of such Series were deemed to accrue daily during such year or Interest Period in equal amounts; provided, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid (a) from the proceeds of Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from investment (but not reinvestment) earnings on such proceeds if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely or (b) from investment earnings on deposit in the Reserve and Redemption Account established under the Indenture to the extent any such earnings may be determined precisely. Unless otherwise provided in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on the Bonds, shall not be included in the determination of the Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such Bonds, the term “Interest Requirement” shall have the appropriate meaning assigned to it by the Supplemental Indenture authorizing such Bonds.

**“Investment Securities”** means any of the following securities authorized by law as permitted investments of City funds at the time of their purchase:

- (i) Government Obligations;
- (ii) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank,

Federal Financing Bank, Resolution Funding Corporation, and Student Loan Marketing Association;

(iii) investments in a money market fund registered under the Investment Company Act of 1940, as amended (including any such money market fund sponsored by or affiliated with any Fiduciary), comprised of any of the investments set forth in subparagraph (i) or subparagraph (ii) above;

(iv) negotiable or non-negotiable certificates of deposit or time deposits or other banking arrangements issued by any bank, trust company or national banking association (including any Fiduciary), which certificates of deposit or time deposits or other banking arrangements shall be continuously secured or collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or time deposits or other banking arrangements and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or time deposits or other banking arrangements, which certificates of deposit or time deposits or other banking arrangements acquired or entered into pursuant to this subparagraph (iv) shall be deemed to constitute investments and not deposits;

(v) repurchase agreements with any bank, trust company or national banking association (including any Fiduciary) or government bond dealer reporting to the Federal Reserve Bank of New York that are continuously secured or collateralized by obligations described in subparagraph (i) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amortized value of such repurchase agreements, provided such security or collateral is lodged with and held by the Trustee, or the City as title holder, as the case may be;

(vi) public housing bonds issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; and project notes issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vii) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by each of the Rating Agencies; and

(viii) any other securities authorized for investment of City funds by Article VI of Chapter 2-32 of the Municipal Code of Chicago (1990), as from time to time amended.

All securities so purchased, excepting tax anticipation warrants and investment agreements, shall show on their face that they are fully payable as to principal and interest, where applicable, within two years of the date of purchase.

**“Junior Lien Obligations”** means any bonds or other obligations permitted to be issued pursuant to the Indenture.

**“Maximum Annual Debt Service Requirement”** means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and all succeeding Bond Years.

**“Ordinance”** means the ordinance duly adopted by the City Council of the City on May 29, 2002 authorizing the issuance and sale of the Series 2002 Bonds and execution of the indenture and First Supplemental Indenture.

**“Original Project Area”** means the approximately 90-acre site designated in the Original Project Plan.

**“Original Project Plan”** means the Chatham Ridge Redevelopment Area Plan and Project adopted by the City on December 18, 1986, which provided for the redevelopment of an approximately 90-acre site located on the City’s south side.

**“Outstanding,”** when used with reference to Bonds, means, as of any date, all Bonds previously or then being authenticated and delivered under the Indenture except:

(i) Any Bonds canceled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the Indenture, and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(iv) Bonds deemed to have been paid as provided in the Indenture.

**“Outstanding Series 1987 Bonds”** means the City’s outstanding Chatham Ridge Tax Increment Revenue Bonds, Series 1987.

**“Owner”** means any Person who shall be the registered owner of any Bond(s).

**“Paying Agent”** means any bank, national banking association or trust company designated by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Indenture.

**“Payment Date”** means any Interest Payment Date or Principal Payment Date.

**“Person”** means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

**“Pledged Revenues”** means (i) Incremental Taxes, (ii) amounts deposited by the City into the Incremental Taxes Fund in each of the years 2010 through 2013, inclusive, in an amount for each year equal to the City’s share of the property tax increment deposited into the Incremental Taxes Fund in 2009, and (iii) and any other revenues from any source whatsoever designated to pay principal of, premium, if any, or interest on the Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account, the Rebate Account and the Sub-accounts of the General Account excluding the Reserve Sub-account) as provided in the Indenture, together with interest earnings thereon.

**“Principal”** or **“principal”** means (i) with respect to any Capital Appreciation Bond, its Accreted Amount (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in connection with the original issuance of Bonds and with the order of priority of payments after an event of default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the redemption price of any Capital Appreciation Bond, “principal amount” means the Accreted Amount and (ii) with respect to the principal amount of any Current Interest Bond or Tender Option Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity.

**“Principal Payment Date”** means the date upon which the principal of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment established in the Supplemental Indenture authorizing such Series.

**“Principal Requirement”** means, for any Bond Year, an amount of money equal to the aggregate of the principal amount of Outstanding Bonds of that Series which mature during that Bond Year, reduced by the aggregate principal amount of such outstanding Bonds which would at or before such Bond Year be retired by reason of the payment when due and application in accordance with the Indenture and the Supplemental Indenture creating such Series of Sinking Fund Installments payable before such Bond Year for the retirement of outstanding Bonds.

**“Program Expenses”** means, in any Bond Year, all initial and ongoing administrative expenses related to or incurred in connection with the Bonds and in the case of (v) below, the Chatham Ridge Redevelopment Project Area, including, specifically, (i) the sum necessary to pay all rating agency surveillance fees and costs and expenses of any Trustee, registrar or paying agent, (ii) the expected annual fees or premiums of any issuer or provider of any Credit Facility,

Debt Reserve Credit Instrument or Bond Insurance Policy with respect to the Bonds, which expected annual fees may include additional amounts owing to such issuer or provider pursuant to any reimbursement or other agreement, other than reimbursement obligations arising from any draw or payment under such Credit Facility and other than payments on the Bonds, (iii) fees related to the calculation or verification of any required payment to the United States of America pursuant to Section 148(f) of the Code, (iv) auditing fees incurred in connection with the preparation of the financial statements required pursuant to the Indenture, and (v) to the extent not included in (iv) above, all fees and expenses incurred in preparing and compiling the information which Section 11-74.4-5(d) requires the City to submit to the State Comptroller, the joint review board and the taxing districts overlapping the Chatham Ridge Redevelopment Project Area; but (except as provided in (v) above) excluding specifically, expenses of the City relating specifically to the administration of the Project.

**“Program Expenses Account”** means the Program Expenses Account established under the Indenture.

**“Project”** means the redevelopment project approved by the Chatham Ridge Redevelopment Plan.

**“Project Costs”** means those costs of the Project included in the definition of “Redevelopment Project Costs” in the Act as in effect on the effective date of the Indenture and shall include any costs added to the definition of “Redevelopment Project Costs” in the Act from time to time after the effective date of the Indenture and shall also include the purpose set forth in 65 ILCS 5/11-74.4-4(q); in no event, however, shall the removal of a cost from the definition of “Redevelopment Project Costs” from and after the effective date of the Indenture cause such cost not to be a “Project Cost” within the meaning of the Indenture.

**“Project Fund”** means the Project Fund established under the Indenture.

**“Qualified Swap Agreement”** means an agreement between the City and Swap Provider under which the City agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the City for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (i) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider, or the Person who guarantees the obligations of the Swap Provider to make its payments to the City, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Bonds by such Rating Agency (without regard to Bond Insurance or any other Credit Facility), and (ii) the City has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement and has received from such Rating Agency a written indication that the entering into the swap agreement by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the Bonds.

**“Rating Agencies”** means each and every one of the nationally recognized rating services that shall have assigned ratings to any Bonds Outstanding as requested by or on behalf of the City, and which ratings are then currently in effect.

**“Rebate Account”** means the Rebate Account established in the Indenture.

**“Record Date”** means June 1st and December 1st of each year.

**“Redemption Price”** means, with respect to any Bond, the Principal of such Bond plus the applicable premium, if any, payable upon the date fixed for redemption.

**“Refunding Bonds”** means all Bonds issued to effect a refunding of Bonds pursuant to the Indenture.

**“Registrar”** means any bank, national banking association or trust company appointed by an Authorized Officer under the Indenture and designated as registrar for the Bonds of any Series, and its successor or successors.

**“Second Amendment”** means the second amendment to the Original Project Plan adopted by City Council on March 27, 2002 to expand the boundaries of the Original Project Area to include the Added Area.

**“Serial Bonds”** means bonds of a Series which shall be stated to mature in annual installments.

**“Series”** means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds subsequently authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

**“Series 1987 Bond Ordinance”** means the ordinance adopted by the City Council on November 4, 1987 authorizing the issuance of the Series 1987 Bonds, together with the related Bond Order and Notification of Sale dated September 7, 1988.

**“Series 1987 Bonds”** means the \$4,825,000 Chatham Ridge Tax Increment Revenue Bonds, Series 1987.

**“Series 1987 Escrow Account”** means the escrow account established under the Series 1987 Escrow Agreement.

**“Series 1987 Escrow Agreement”** means the Escrow Deposit Agreement dated as of June 15, 2002 between the City and the Series 1987 Escrow Agent, providing for the advance refunding of the Series 1987 Bonds.

**“Series 1987 Trustee”** means American National Bank and Trust Company of Chicago, as trustee for the Series 1987 Bonds under the Series 1987 Bond Ordinance.

“**Series 2002 Bonds**” means the \$17,935,000 principal amount of the City of Chicago’s Tax Increment Allocation Bonds (Chatham Redevelopment Project), Series 2002, issued under the Indenture and the First Supplemental Indenture and described in this Official Statement.

“**Sinking Fund Installment**” means with respect to any Series of Bonds, each principal amount of Bonds of such Series scheduled to be redeemed through redemption provisions of a supplemental indenture creating such Series.

“**SLG’s**” means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

“**State**” means the State of Illinois.

“**Swap Provider**” means any counterparty with whom the City enters into a Qualified Swap Agreement.

“**Tender Option Bonds**” means any Bonds with respect to which the Owners have the option to tender to the City, to any Fiduciary or to any agent of a Fiduciary, all or a portion of such Bonds for payment or purchase; provided, that no Tender Option Bonds shall be issued unless (i) the City has notified each Rating Agency in writing of its intention to issue such Tender Option Bonds and (ii) each Rating Agency has notified the City that the issuance of such Tender Option Bonds by the City will not, in and of itself, cause a reduction or withdrawal by the Rating Agency of its rating on the Bonds.

“**Term Bonds**” means Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

“**Treasurer**” means the City Treasurer of the City.

“**Trust Estate**” means the Pledged Revenues and all other property pledged to the Trustee pursuant to the Indenture.

“**Trustee**” means BNY Midwest Trust Company, Chicago, Illinois, and any successor or successors appointed under the Indenture.

“**Variable Rate Bonds**” means any Bonds the interest rate on which is not established at the time of their issuance at a single numerical rate for the entire term of the Bonds; provided, that no Variable Rate Bonds shall be issued unless (i) the City has notified each Rating Agency in writing of its intention to issue such Variable Rate Bonds and (ii) each Rating Agency has notified the City that the issuance of such Variable Rate Bonds by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the Bonds.

APPENDIX B  
CONSULTANT'S REPORT

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**ESTIMATE OF PLEDGED REVENUES**

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CITY OF CHICAGO  
TAX INCREMENT ALLOCATION BONDS  
(CHATHAM RIDGE REDEVELOPMENT PROJECT)  
SERIES 2002

Secured by  
Incremental Property Taxes  
And  
Sales Tax Increments

Resulting from the  
CHATHAM RIDGE PROJECT AREA

Prepared for:  
City of Chicago  
Department of Finance

Prepared by:  
Johnson Research Group, Inc.  
June 18, 2002

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## EXECUTIVE SUMMARY

On December 18, 1986, the City of Chicago, Illinois (the "City") adopted the Chatham Ridge Redevelopment Plan and Project (the "Original Plan"), which provided for the redevelopment of approximately 90 acres (the "Original Project Area"). The Original Project Area is located on the south side of the City and is generally bounded by 87<sup>th</sup> Street on the south, the Dan Ryan Expressway and Stewart Avenue on the east, Parnell Avenue and Vincennes Avenue on the west; and, as far north as 85<sup>th</sup> Street. On October 30, 1996, the City adopted an ordinance amending the Original Plan to add other eligible redevelopment project costs to the original budget ("Amendment No. 1").

On March 27, 2002, the Chicago City Council (the "City Council") approved a second amendment ("Amendment No. 2") to achieve the City's redevelopment goals for the area. Amendment No. 2 expands the boundary of the Original Project Area to include the Added Area (defined herein and together with the Original Project Area, the "Expanded Project Area"), increases estimated project costs, and adds powers and duties pursuant to recent legislative amendments to the Illinois Tax Increment Allocation Redevelopment Act (the "Act").

The Added Area consists of an industrial enterprise (including two buildings, parking, and storage), Simeon Career Academy, a public secondary school owned by the Public Building Commission and operated by the Chicago Board of Education, a number of vacant parcels that were formerly occupied by deteriorated buildings, and the adjacent rights-of-way. The inclusion of Simeon Career Academy will allow the Chicago Board of Education to benefit from development activity within the Expanded Project Area, thereby supporting necessary capital improvements at this high school. The Added Area extends the original boundaries by two blocks north of the original northernmost boundary. The Expanded Project Area now contains 47 parcels and a total of about 112.5 acres.

On May 29, 2002, the City Council adopted a third amendment ("Amendment No. 3"), which extends the estimated dates of completion of the redevelopment plan and retirement of State Sales Tax Increment obligations until December 31, 2013, as allowed by the Act. This extension requires the City to continue to deposit for each

extension year into the Fund (defined herein) from any municipal resource, other than funds in the Fund, an amount equal to its portion of Incremental Property Tax revenues for the most recent year collected ("Other City Revenue") for the payment of debt service on the sales tax obligation. Furthermore, the extended term is granted for Sales Tax Increment generated by retailers within the Original Project Area and not the Added Area.

Collectively, the Original Plan, Amendment No. 1, Amendment No. 2 and Amendment No. 3 are referred to as the "Redevelopment Plan".

Distribution to the City of Incremental Taxes resulting from the Original Project Area for distribution year 2001 (the most recent year for which distribution data are available) is estimated to total approximately \$1,517,592 in Incremental Property Taxes (as defined herein) and \$1,551,322 in Sales Tax Increment (as defined herein).

To stimulate development in the Original Project Area and achieve the objectives of the Original Plan, the City issued in September 1988 the Chatham Ridge Tax Increment Bonds, Series 1987 (the "Outstanding Bonds") in the aggregate principal amount of \$4,825,000. The final maturity of the Outstanding Bonds is January 2007.

To continue to achieve the objectives of the Redevelopment Plan, the City proposes to issue Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002, in the aggregate amount of not to exceed \$25,000,000 (the "Bonds"). The Bonds will be secured by Incremental Property Taxes generated within the Expanded Project Area, Sales Tax Increment generated within the Original Project Area and Other City Revenue (collectively referred to as "Pledged Revenues").

### **Scope of this Report**

In connection with the issuance of the Bonds, Johnson Research Group, Inc. ("JRG") has been engaged by the City to estimate Pledged Revenues that may be generated by all or portions of the Expanded Project Area and that are pledged to secure the Bonds. JRG's scope in preparing this Report is limited to estimating Pledged Revenues based upon information provided by various parties, including Cook County officials, City officials, State officials, and other professionals engaged by the City.

The receipt of Pledged Revenues may be adversely impacted by future economic conditions, as well as other factors not considered in this Report. JRG cannot assure that the collection of Pledged Revenues will be at the levels estimated in this Report. The estimate of Pledged Revenues contained in this Report is based upon the

assumptions and conditions of findings documented within this Report. The conclusions and estimates of Pledged Revenues contained in this Report are based on JRG's experience as well as information gathered from various reliable sources. Section III, *Risks and Conditions of Findings*, contains a list of conditions, actions or matters that may affect the receipt of Pledged Revenues. The assessment of the likelihood and/or effect of such risks, conditions, or matters is outside of the scope of this Report.

### **Key Findings**

JRG estimated Pledged Revenues that may be received by the City as a result of (i) Incremental Property Taxes generated by the anticipated reassessment of land and improvements contained within the Expanded Project Area, (ii) the collection of Sales Tax Increment within the Original Project Area, (iii) the deposit of Other City Revenue, and (iv) other assumptions and conditions contained in this Report. JRG's key findings are summarized below.

#### Incremental Property Tax

Incremental Property Tax includes the allocation of all taxing agencies' Incremental Property Taxes through assessment year 2009 (distributed in 2010). JRG estimates that approximately \$13,932,341 in Incremental Property Taxes will be distributed during the period 2002 through 2010, ranging from \$1,461,163 in 2002, to \$1,599,689 in 2007.

#### Other City Revenue

Other City Revenue includes an amount to be deposited by the City into the Fund in each extended year from any municipal resource, other than funds in the Fund, equal to the City's share of Incremental Property Taxes for the most recent year that Incremental Property Taxes from all taxing agencies were distributed by the County. In the absence of the extended State Sales Tax Increment term, the final year in which the State would contribute its share of Sales Tax Increment is 2009. The extended years and the years in which Other City Revenue shall be deposited include 2010, 2011, 2012 and 2013.

JRG estimates that the City will deposit into the Fund from any municipal resource, other than funds in the Fund, approximately \$294,938 in 2010, \$309,564 in 2011, and \$302,251 in each of the years 2012 and 2013. The higher amount in 2011 is due to an estimated one-time reconciliation deposit in 2011, which is the difference between the estimated 2011 and 2010 deposits, or \$7,313. The total amount deposited for these years is estimated to be approximately \$1,209,004. In the event the possible single-family housing is constructed at 87<sup>th</sup> and Parnell, the City would deposit additional funds during these years in the amount of approximately \$68,424 in 2010, \$71,898 in 2011,

and \$70,161 in years 2012 and 2013. The total additional amount deposited is estimated to be \$280,644.

#### Sales Tax Increment

JRG estimated that the Sales Tax Increment that the City may receive as a result of (i) commercial activity in the Original Project Area, and (ii) other assumptions and conditions contained in this Report. JRG estimates that annual Sales Tax Increment will be approximately \$1,551,322 for the period 2002 through 2013, and are estimated to total approximately \$18,615,864 over this period.

#### Pledged Revenues

JRG estimates the total Pledged Revenues that the City will receive over the extended life of the Redevelopment Plan to be approximately \$33,757,209.

## I DEFINITIONS

“**Act**” means the Tax Increment Allocation Redevelopment Act 65 ILCS 5/11-74.4-1, *et seq.*, as amended and supplemented from time to time.

“**Added Area**” means the area containing approximately 22.5 acres added to the Original Project Area through Amendment No. 2, as adopted by the City Council on March 27, 2002.

“**Aggregate Sales Tax**” means the aggregate amount of taxes paid by retailers and servicemen, other than retailers and servicemen subject to the Public Utilities Act, on transactions at places of business located within a State Sales Tax Boundary pursuant to the Retailers’ Occupation Tax Act, the Use Tax Act, the Service Use Tax Act, and the Service Occupation Tax Act.

“**Amendment No. 1**” means the first amendment to the Original Plan adopted by the City on October 30, 1996 that adds eligible redevelopment project costs to the budget that were not included in the Original Plan.

“**Amendment No. 2**” means the second amendment to the Original Plan adopted by the City on March 27, 2002 that expands the boundary of the Original Project Area to include the Added Area, increases estimated project costs, and adds powers and duties pursuant to recent legislative amendments to the Act.

“**Amendment No. 3**” means the third amendment to the Original Plan adopted by the City Council on May 29, 2002 that extends the estimated dates of completion of the redevelopment project and retirement of the State Sales Tax Increment obligations until December 31, 2013, as allowed by the Act.

“**Assessor**” means the Cook County Assessor.

“**AV**” means the assessed valuation of real property.

“**Bonds**” means the Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002, of the City issued for the furtherance of the Redevelopment Plan.

**“Certified Initial EAV”** means the EAV of all taxable real property within the Original Project Area the Added Area at the time the redevelopment plans and amendments were adopted by the City for each area. The Certified Initial EAV serves as the EAV base from which Incremental EAV and Incremental Property Taxes are calculated for each Tax Code within the Expanded Project Area. The Certified Initial EAV for the Original Project Area is \$1,482,245. The Certified Initial EAV for the Added Area is \$1,144,387 (2000 EAV). The Certified Initial EAV for the Expanded Area is \$2,626,632.

**“Chatham Ridge Project Area”** means the Chatham Ridge Redevelopment Project Area that was designated as a “redevelopment project area” under the Act by the ordinance adopted by the City Council on December 18, 1986 entitled “AN ORDINANCE DESIGNATING CHATHAM RIDGE AREA AS ‘REDEVELOPMENT PROJECT AREA’ PURSUANT TO THE TAX INCREMENT ALLOCATION REDEVELOPMENT ACT” as amended by the City Council on March 27, 2002 entitled “AN ORDINANCE OF THE CITY OF CHICAGO, ILLINOIS, DESIGNATING THE EXPANDED CHATHAM RIDGE REDEVELOPMENT PROJECT AREA AMENDMENT NO.2 A REDEVELOPMENT PROJECT AREA PURSUANT TO THE TAX INCREMENT ALLOCATION REDEVELOPMENT ACT.”

**“City”** means the City of Chicago, Illinois, a home rule unit of local government.

**“City Council”** means the governing body of the City as from time to time constituted.

**“County”** means Cook County, Illinois.

**“County Collector”** means the Cook County Treasurer, who is responsible for the collection and distribution of all real estate taxes within the County.

**“CPI”** means the “Consumer Price Index – All Urban Consumers” published by the United States Department of Labor.

**“Distributed Net State Sales Tax Increment”** means the annual sum of distributed quarterly payments by the State to the City for deposit in the Fund (as defined herein). This amount is calculated by dividing the Original Project Area’s share of Net State Sales Tax Increment by the aggregate Net State Sales Tax Increment calculated for all TIF districts throughout the State. The Illinois Department of Revenue refers to this fraction as the “Calculation Percentage”, which is then applied to the amount the Illinois Department of Revenue is authorized to spend, per quarter, from the Illinois Tax Increment Fund.

“**EAV**” means the AV as equalized by the State Equalization Factor determined by the State for the County, in an effort to make aggregate real estate assessment percentages uniform among the 102 counties in the State at one-third of FMV.

“**Estimated Eligible Redevelopment Project Costs**” means estimated expenses in connection with implementing the Redevelopment Plan that are eligible for TIF financing in accordance with the Act.

“**Expanded Project Area**” means the Original Project Area and the Added Area, collectively.

“**FMV**” means the estimated Fair Market Value as determined by the Assessor for each taxable parcel within the Expanded Project Area.

“**Fund**” means the Chatham Ridge Redevelopment Project Area Special Tax Allocation Fund of the City, a special tax allocation fund for the Chatham Ridge Project Area established pursuant to Section 11-74.4-8 of the Act and originally created by an ordinance of the City adopted on December 18, 1986.

“**Incremental Property Tax**” or “**Incremental Property Taxes**” means the portion of property taxes that are attributable to the increase in the EAV of all taxable real property within the Original Project Area, and after inclusion of the Added Area, within the Expanded Project Area, over and above the Certified Initial EAV as a result of the reassessment of land and improvements.

“**Incremental Taxes**” means collectively Incremental Property Taxes and Sales Tax Increments estimated in this Report.

“**JRG**” means the Johnson Research Group, Inc., located at 411 S. Wells Street, Suite 800, Chicago, Illinois.

“**Municipal Sales Tax Increment**” means an amount equal to the increase in the aggregate amount of taxes paid to a municipality from the Local Government Tax Fund arising from sales by retailers and servicemen within the redevelopment project area or State Sales Tax Boundary, as the case may be, for as long as the redevelopment project area or State Sales Tax Boundary, as the case may be, exist over and above the aggregate amount of taxes as certified by the Illinois Department of Revenue and paid under the Municipal Retailers’ Occupation Tax Act and the Municipal Service Occupation Tax Act by retailers and servicemen, on the transactions at places of business located in the redevelopment project area or State Sales Tax Boundary, as the case may be, during the base year which shall be the calendar year immediately prior to the year in which the municipality adopted tax increment allocation financing.

**“Net State Sales Tax Increment”** means the annual sum of potential quarterly payments by the State to the Special Tax Allocation Fund (the “Fund”) before the State applies the “Calculation Percentage”, which reduces the potential quarterly payments to an amount the Illinois Department of Revenue is authorized to spend, per quarter, from the Illinois Tax Increment Fund.

**“Official Statement”** means the disclosure document published by the City with respect to the issuance of the Bonds.

**“Original Plan”** means the Chatham Ridge Tax Increment Financing Redevelopment Plan as adopted by the City Council on December 18, 1986.

**“Original Project Area”** means the approximately 90 acres of land designated by the City Council as the Chatham Ridge Project Area on December 18, 1986.

**“Other City Revenue”** means an amount to be deposited by the City in each extended Sales Tax Increment year (2010, 2011, 2012 and 2013), from any municipal resource, other than funds in the Fund, equal to the City’s share of Incremental Property Taxes for the most recent year that Incremental Property Taxes from all taxing agencies were distributed by the County.

**“Outstanding Bonds”** means the City’s outstanding Chatham Ridge Tax Increment Revenue Bonds, Series 1987.

**“Pledged Revenues”** means Incremental Taxes and Other City Revenue estimated in this Report, which are pledged for the payment of interest on and principal of the Bonds.

**“Redevelopment Plan”** means the Chatham Ridge Redevelopment Plan and Project adopted by the City on December 18, 1986, and as amended by Amendment No. 1 in 1996, Amendment No. 2 in 2002 (March 27, 2002), and Amendment No. 3 in 2002 (May 29, 2002).

**“Report”** means this Report entitled “Estimate of Pledged Revenues” prepared by JRG.

**“R.O.W.(s)”** means right(s)-of-way.

**“Sales Tax Increment”** means (i) the Municipal Sales Tax Increment (as such term is defined in Section 11-74.4-3 of the Act) generated within the Original Project Area, paid to the City from the Local Government Tax Fund and deposited into the Fund, and (ii) the Net State Sales Tax Increment (as such term is defined in Section 11-74.4-3 of the Act) generated within Original Project Area (which is the State Sales Tax Boundary as

defined in Section 11-74.4-3 of the Act), paid to the City from the Illinois Tax Increment Fund and deposited into the Fund.

**“Shopping Center”** means the Chatham Ridge Shopping Center, which includes the main building, all outlots, and the parking lots that serve these businesses. The Shopping Center does not include the Home Depot or the Loews Cineplex Theater.

**“State”** means the State of Illinois.

**“State Equalization Factor”** means a multiplication factor issued by the Illinois Department of Revenue to the County, which is applied to all AV of taxable real property within the County and designed to make aggregate real estate assessment percentages uniform among the 102 counties in the State at 33-1/3 percent of FMV.

**“State Sales Tax Increment”** means an amount equal to the increase in the aggregate amount of taxes paid by retailers and servicemen, other than retailers and servicemen subject to the Public Utilities Act, on transactions at places of business located within a State Sales Tax Boundary pursuant to the Retailers’ Occupation Tax Act, the Use Tax Act, the Service Use Tax Act, and the Service Occupation Tax Act (referred to as “Eligible Sales Taxes”), except such portion of such increase that is paid into the State and Local Sales Tax Reform Fund, the Local Government Distributive Fund, the Local Government Tax Fund and the County and Mass Transit District Fund (collectively, referred to as the “Local Tax Funds”), for as long as State participation exists, over and above the Initial Sales Tax Amounts, Adjusted Initial Sales Tax Amounts or the Revised Initial Sales Tax Amounts for such taxes as certified by the Illinois Department of Revenue and paid under those Acts by retailers and servicemen on transactions at places of business located within the State Sales Tax Boundary during the base year, which shall be the calendar year immediately prior to the year in which the municipality adopted tax increment allocation financing, less 3.0% of such amounts generated under the Retailers’ Occupation Tax Act, Use Tax Act, Service Use Tax Act and Service Occupation Tax Act, which sum shall be appropriated to the Illinois Department of Revenue to cover its costs of administering and enforcing the collection and distribution of Sales Tax Increment pursuant to the Act.

**“Tax Code”** means the five-digit code assigned by the County to a parcel, which identifies a group of taxing districts having jurisdiction over that parcel. A Tax Code may contain one or many parcels. The Tax Code for the Original Project Area is 72009. The parcels included in the Added Area are presently classified as part of Tax Code 72001.

**“Tax Limitation Act”** means *Property Tax Extension Limitation Law (35 ILCS 200/18 - 185 et seq.)* of the State, as amended.

“**TIF**” means tax increment financing as provided for in the Act.

“**Underwriter**” means collectively Legg Mason Wood Walker, Incorporated, and Berean Capital, Inc. having offices located in Chicago, Illinois.

## II OVERVIEW

### A. REDEVELOPMENT PLAN AND CHATHAM RIDGE PROJECT AREA

The Chatham Ridge Project Area contains approximately 112.5 acres and is located on the south side of the City within the Chatham Ridge community. The Chatham Ridge community is predominantly residential in character with some light industrial and commercial land uses. The redevelopment of the Chatham Ridge Project Area is guided by the Redevelopment Plan, which was originally adopted in 1986 and has been amended from time to time.

Figure 1, *Regional Location Map*, illustrates the regional location of the Chatham Ridge Project Area within the Chicago metropolitan area. Figure 2, *Boundary Map*, illustrates the boundaries of the Original Project Area, the Added Area, and the Expanded Area. Provided below is a brief summary of the Chatham Ridge Project Area and Redevelopment Plan.

#### 1. ORIGINAL PROJECT AREA

On December 18, 1986, the City adopted the Original Plan pursuant to the Act to overcome conditions of blight and to improve the economic and physical well being of the Original Project Area. The Original Project Area consists of an approximately 90-acre area located on the south side of the City and generally includes properties fronting 87<sup>th</sup> Street between the Dan Ryan Expressway and Stewart Avenue on the east, Parnell Avenue and Vincennes Avenue on the west; and generally north to about 85<sup>th</sup> Street.

The Original Project Area contains both improved property and vacant property. In general, the improved property contains Constructed Improvements (defined herein) as a direct result of the implementation of the Redevelopment Plan. In addition, a 14-acre tract of vacant property may be improved over the next three to four years with a 99-unit single-family housing development (the "Planned Improvement").

On October 30, 1996, the City adopted an ordinance amending the Original Plan to add other eligible redevelopment project costs to the original budget (Amendment No. 1).

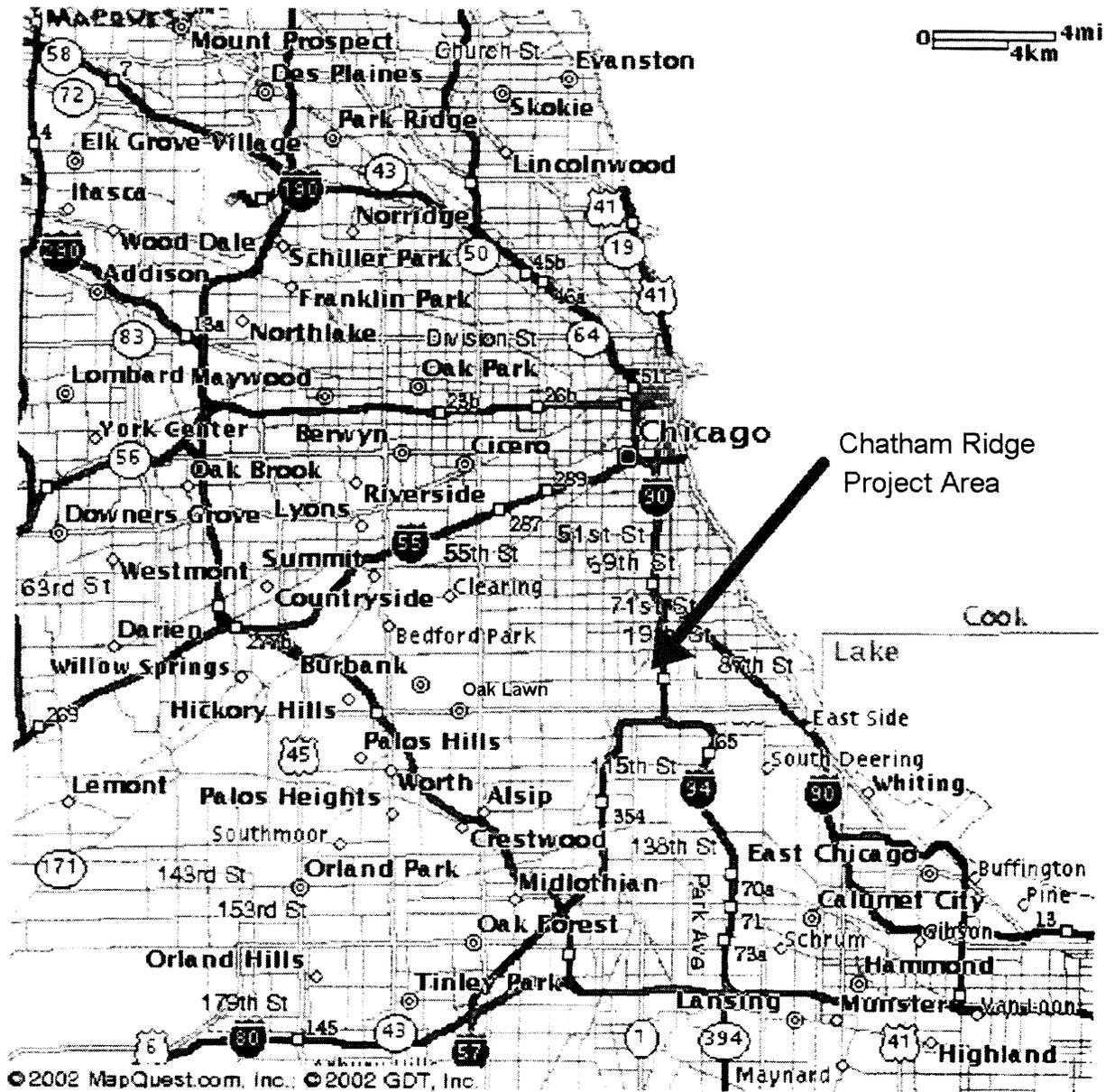
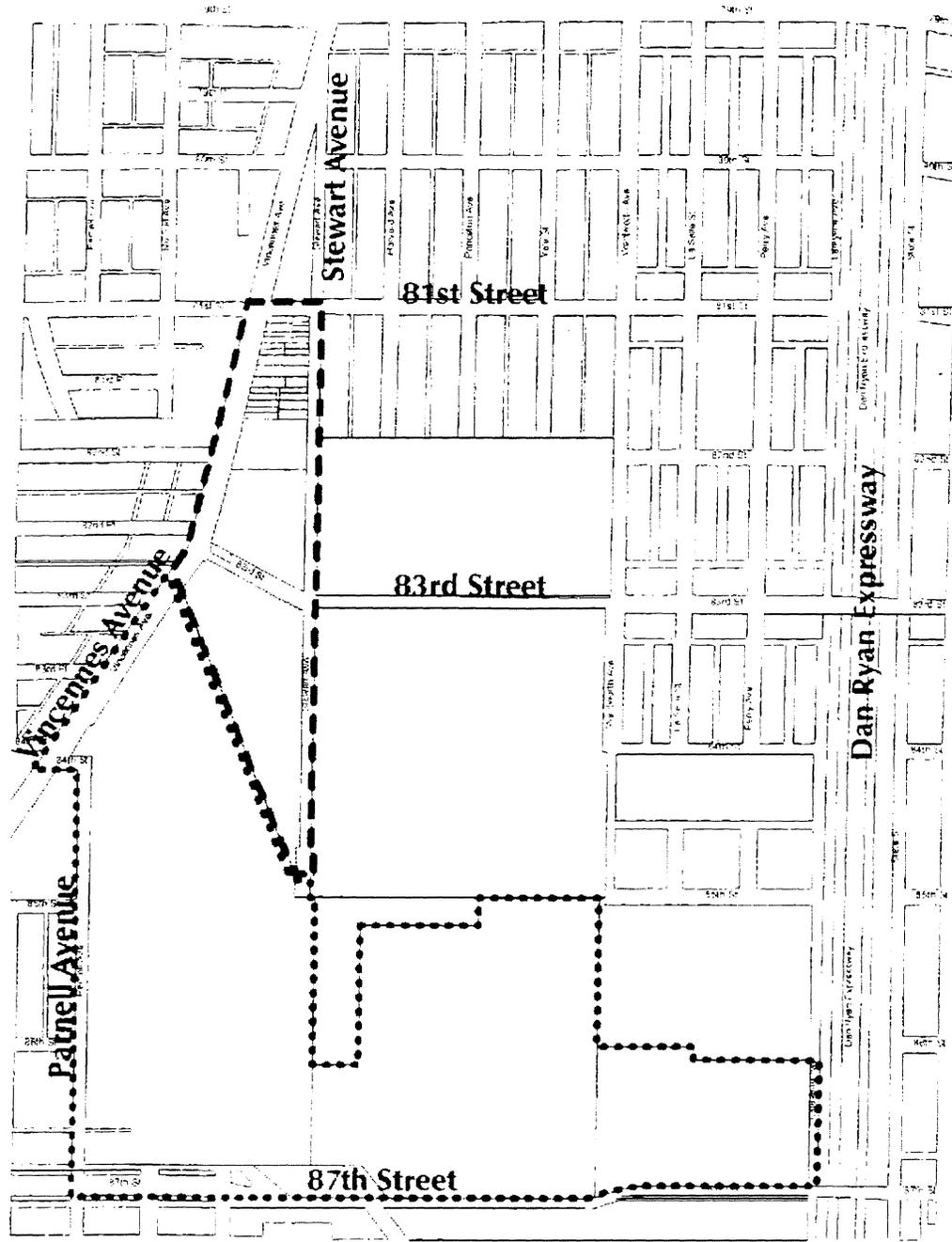


Figure 1: Regional location map



**Legend**



Added Area Boundary



Original Project Area Boundary

**Figure 2: Boundary Map**

## 2. **ADDED AREA**

On March 27, 2002, the City Council approved a second amendment (“Amendment No. 2”) to achieve the City’s redevelopment goals for the area. Amendment No. 2 expands the boundary of the Original Project Area, increases estimated project costs and adds powers and duties pursuant to recent legislative amendments to the Act.

The Added Area contains approximately 22.5 acres and extends the Original Project Area two blocks north. The Added Area includes a small amount of single-family housing, vacant land, a small light-industrial property, the Simeon Career Academy, and adjacent rights-of-way. The small light-industrial property includes two buildings, surface parking, and outdoor storage. The Simeon Career Academy is a public secondary school owned by the Public Building Commission and operated by the Chicago Board of Education. The vacant parcels within the Added Area formerly contained deteriorated buildings.

The inclusion of the Simeon Career Academy will allow the school to benefit from development activity within the Expanded Project Area, through the support of necessary capital improvements at the high school.

## 3. **EXPANDED PROJECT AREA**

The Expanded Project Area contains both the Original Project Area and the Added Area. The Expanded Area contains forty-seven parcels: eighteen in the Original Project Area and twenty-nine in the Added Area. More than 50 percent of the parcels within the Expanded Project Area are either exempt or vacant. There are three residential and four industrial parcels included within the Expanded Project Area. Although there are only four commercial parcels in the Expanded Project Area, there are many more actual businesses located in the area because more than one business can be located upon one parcel. The land use breakout by parcel for the Expanded Project Area is summarized below.

	<b>Residential</b>	<b>Industrial</b>	<b>Commercial</b>	<b>Exempt</b>	<b>Vacant</b>
<b>Original Project Area</b>	1	3	4	4	6
<b>Added Area</b>	2	1	0	21	5
<b>Expanded Project Area (Total)</b>	3	4	4	25	11

**4. EXTENDED SALES TAX INCREMENT TERM**

The City Council approved on May 29, 2002 Amendment No. 3, which extends the estimated dates of completion of the redevelopment project and retirement of State Sales Tax Increment obligations until December 31, 2013, as allowed by the Act. This extended term requires the City to deposit Other City Revenue into the Fund during the years of the extended term. Other City Revenue includes an amount to be deposited by the City in each extended year from any municipal resource, other than funds in the Fund, equal to the City's share of Incremental Property Taxes for the most recent year that Incremental Property Taxes from all taxing agencies were distributed by the County.

In the absence of the extended State Sales Tax Increment term, the final year in which the State would contribute its share of Sales Tax Increment is 2009. The extended years and the years in which Other City Revenue shall be deposited include 2010, 2011, 2012 and 2013. Furthermore, the extended term is granted for Sales Tax Increment generated by retailers within the Original Project Area and not the Added Area.

## B. PROJECT AREA IMPROVEMENTS

The Expanded Project Area contains improvements that have been constructed (the “Constructed Improvements”) and improvements that are planned (the “Planned Improvements”). Described below are the Constructed Improvements and improvements that are Planned Improvements within Expanded Project Area.

### 1. CONSTRUCTED IMPROVEMENTS

The “Constructed Improvements” are located within the Original Project Area and include Home Depot, Loews Cineplex, and the Chatham Ridge Shopping Center. The total enclosed area of the Constructed Improvements within the Original Project Area is estimated to total approximately 356,433 SF.

Listed below are the major retailers in the Original Project Area and their estimated square footage.

<b>Major Retailer</b>	<b>Size</b>
Loews Cineplex	66,563 SF
Home Depot	100,000 SF
Cub Foods	43,920 SF
All Other	145,950 SF
<b>Total</b>	<b>356,433 SF</b>

The Chatham Ridge Shopping Center (the “Shopping Center”) contains approximately 189,870 SF in gross leasable space, and includes six outlots totaling 38,325 SF, and a main building containing approximately 151,545 SF. The main building contains three major tenants, including Cub Foods (43,920 SF), Marshall’s and Bally Total Fitness. Other tenants of the main building include Bedding Experts, City Sports, Moody Bookstore, Blockbuster and miscellaneous retailers. Recently, Super Trak vacated 8,600 SF, and the owner of the Shopping Center is negotiating with two prospective tenants to fill the vacated space. The Shopping Center outlots contain a Michael Reese Health Center, Seaway National Bank, Lube Pros, Auto Zone, restaurants, and miscellaneous retailers. Cub Foods’ lease runs through 2019. Smaller tenants generally have five-year leases. Property taxes are passed through to tenants on a SF *pro rata* basis.

The Shopping Center is owned by Inland Real Estate Corporation (“Inland”), a real estate investment trust established under Maryland law in 1994. Inland acquires and manages neighborhood retail centers ranging from 5,000 to 150,000 square feet and community centers ranging from 150,000 to 300,000 square feet that are located within a 400-mile radius of its corporate center in Oak Brook, Illinois. The Company also acquires single use retail properties located throughout the country. As of December 31, 2001, the Company and its subsidiaries had ownership interest in 120 investment properties comprised of:

- 75 neighborhood retail centers totaling approximately 4.4 million gross leasable square feet;
- 19 community centers totaling approximately 3.9 million gross leasable square feet; and
- 26 single user retail properties totaling 1.1 million leasable square feet.

According to Inland’s recent annual 10-K, the Shopping Center is categorized as a community center with total gross leasable area of 175,774 square feet. Three major tenants are Cub Foods, Marshall’s and Bally Total Fitness. At the end of calendar year 2000, the Shopping Center was 99% fully occupied, and at the end of 2001, it was 100% fully occupied.

In January 2002, JRG surveyed the Expanded Project Area and observed the following twenty-seven (27) tenants operating within the Expanded Area, all of which are located within the Original Project Area (the “Existing Tenants”).

Harold’s Chicken	Foot Action	Blockbuster
Grand Chinese Kitchen	Bally Total Fitness	Reggio’s Pizzeria
Avenue	Cub Foods	Lube Pros
Subway	Dock’s	Home Depot
City Sports	Dollar Bills	Auto Zone
Moody Bookstore	One Price Clothing	Loews Cineplex
Gold Express Jeweler	Payless Shoe Source	Dunkin Donuts
Marshall’s	Super Trak	Seaway Bank
Chatham Beauty Supply	The Bedding Experts	Michael Reese Health

In January 2002, the Shopping Center had no vacancies. During spring 2002, Super Trak closed and vacated its premises, leaving 8,600 SF vacant within the Shopping Center. Inland indicates that it is negotiating with two prospective tenants to fill the vacated space. One of the two tenants is an existing tenant interested in expanding within the Shopping Center.

Summarized below are the 2000 EAV and 2000 property taxes of the four largest taxpayers within the Original Project Area.

#### Largest Property Taxpayers

<b>Taxpayer</b>	<b>2000 EAV</b>	<b>%</b>	<b>2000 Taxes</b>	<b>%</b>
Shopping Center	\$8,921,387	42.8%	\$694,798	42.8%
Home Depot	\$5,245,361	25.2%	\$408,509	25.2%
Loews Cineplex	\$4,965,129	23.8%	\$386,684	23.8%
Ryerson Steel [1]	\$626,578	3.0%	\$48,798	3.0%
<b>Total Largest Taxpayers</b>	<b>\$19,758,455</b>	<b>94.7%</b>	<b>\$1,538,789</b>	<b>94.7%</b>
All Other	\$1,097,253	5.3%	\$85,454	5.3%
<b>Total All Taxpayers</b>	<b>\$20,855,708</b>	<b>100.0%</b>	<b>\$1,624,243</b>	<b>100.0%</b>

1. The Ryerson EAV is the reduced value following the reduction achieved through the Property Tax Appeals Board ("PTAB").

The Aggregate Sales Tax (defined herein) generated within the Original Project Area for the State Fiscal Year 2001 totaled approximately \$5,927,108. Summarized below are the estimated 2001 Municipal, State and Aggregate Sales Taxes paid by retailers within the Original Project Area.

#### Estimated Aggregate Sales Tax by Major Retailers

<b>Major Retailer</b>	<b>Municipal (1.0%)</b>		<b>State (5.0%)</b>		<b>Aggregate (8.75%)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Loews Cineplex	\$30,000	4.00%	\$112,500	3.44%	\$211,875	3.60%
Home Depot	\$373,000	49.40%	\$1,865,000	57.00%	\$3,263,750	55.10%
Cub Foods	\$109,800	14.50%	\$82,350	2.52%	\$330,773	5.50%
All Other	\$242,367	32.10%	\$1,211,835	37.04%	\$2,120,710	35.80%
<b>Total</b>	<b>\$755,167</b>	<b>100.00%</b>	<b>\$3,271,685</b>	<b>100.00%</b>	<b>\$5,927,108</b>	<b>100.00%</b>
Total without Loews Cineplex	\$725,167	96.00%	\$3,159,185	96.56%	\$5,715,233	96.40%

Currently, the Shopping Center is the highest property tax generator within the Original Project Area. In assessment year 2000, the Shopping Center generated 42.8% of the total property taxes within the Original Project Area.

A Home Depot is located just west of the Shopping Center as a stand-alone facility. The Home Depot is approximately 100,000 SF in size and generated 25.2% of the total property tax generated in the Original Project Area. Home Depot is the second largest property tax revenue producer in the Original Project Area, and is the highest single stand-alone taxpayer in the Original Project Area. Home Depot generated approximately 55.1% of Aggregate Sales Tax within the Original Project Area.

The Loews Cineplex Movie Theater is located within the Original Project Area, contains 66,563 SF and opened in November 1997. In assessment year 2000, the theater accounted for approximately 23.8% of the total property tax revenue generated within the Original Project Area and approximately 3.6% of the sales taxes within the Original Project Area. This Loews Cineplex Theater, as well as two others located within the Chicago area, is subject to a bankruptcy filing made by Loews Cineplex covering its movie theaters nationwide. Due to the bankruptcy filing, year 2000 real estate taxes for the Loews Cineplex at this location were not paid when due. Pursuant to a plan of reorganization prepared by Loews Cineplex and approved by the bankruptcy court on February 28, 2002, the year 2000 property taxes payable by Loews are to be paid over a period not longer than six years. The estimates contained in this Report assume that those delinquent taxes will be paid in equal annual installments over a six-year period (distribution years 2002 through 2007) and will be distributed by the County in the years in which they are paid.

## **2. PLANNED IMPROVEMENTS**

LakeShore—87th Street Homes Limited Partnership is planning a 99-unit single-family housing development on a 14-acre vacant parcel. The vacant parcel is generally bounded on the north and east by the Chicago and Western Railroad right-of-way, on the south by 87<sup>th</sup> Street, and on the west by Parnell Avenue. The homes will range in price from approximately \$149,000 to \$295,000. Construction is anticipated to begin during the summer of 2002 and to be completed by 2005. The development will include an interior roadway, a one-acre park, and the widening and reconstruction of Parnell Avenue to a two-way street built to City standards. This information is provided as additional information regarding the Expanded Project Area, and is not included in the estimate of Pledged Revenues contained in this Report.

In fall 2001, construction began on a replacement high school for Simeon Career Academy. Construction of the replacement school will be completed in August 2003 for the 2003-2004 school year. The new high school will be just north of the existing facility. Once completed, the present facility will be demolished and parking and athletic facilities will be constructed. The cost of the proposed facility is approximately \$45 million.

The City of Chicago is also planning to construct 85<sup>th</sup> Street from Lafayette to Wentworth. This project is scheduled to occur in 2003 and 2004 and will include complete street construction, appropriate drainage improvements, and street lighting.

## **C. REDEVELOPMENT OBLIGATIONS**

In September 1988, the City Council issued the Outstanding Bonds in the aggregate principal amount of \$4,825,000 payable serially through January 1, 2007 beginning January 1, 1991. The Outstanding Bonds have an interest rate of 10.25%. A portion of the proceeds of the Bonds will be used to redeem the Outstanding Bonds in whole not later than January 1, 2003. The remaining maturities of the Outstanding Bonds are in the principal amount of \$2,675,000.

The City also entered into a redevelopment agreement on January 29, 1999 (passed City Council on December 10, 1997), with Home Depot in the amount of \$3,200,000 of which \$2,336,809 remained to be paid down as of May 7, 2002. The Home Depot agreement is on a "pay-as-you-go-basis" that is expected to be paid off in the next 5-6 years.

There are two other developments for which the City Council has approved a redevelopment agreement. The first of those agreements is for the development of Loews Cineplex, and is with Plitt/ICE Chatham, L.L.C. ("ICE") in the amount of \$3,751,058. This agreement was approved by the City Council on May 20, 1998, has not been executed, and ICE has not received any payment to date.

The second agreement is for the development of 99 single-family homes, and is with LakeShore-87<sup>th</sup> Street Homes Limited Partnership in the amount of \$7,270,000 ("LakeShore"). The agreement was passed by City Council on October 31, 2001, and has not been executed with the LakeShore.

To continue to achieve the objectives of the Redevelopment Plan, the City proposes to Issue Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002 in an amount not to exceed \$25,000,000. Incremental Property Tax revenues generated within the Expanded Project Area, Sales Tax Increment from the Original Project Area, and Other City Revenue will secure the Bonds as authorized in the Trust Indenture for the Bonds. The closing of the Bonds is anticipated to be on or about July 2002.

### **III RISKS AND CONDITIONS OF FINDINGS**

JRG was engaged by the City to prepare this estimate of Pledged Revenues that may be generated by Incremental Property Tax, Other City Revenue and Sales Tax Increment resulting from various uses and improvements that are part of the Expanded Project Area.

Various parties, including the City, County, State and other professionals engaged by the City provided JRG with information and data to review and analyze during the compilation of this Report. JRG has relied on this information and data to derive assumptions outlined in Section IV, *Overview of the Methodology for Calculating Pledged Revenues*. These assumptions are based on the review and analysis of information and data collected during the compilation of this Report. JRG assumes the information collected to prepare this Report is accurate, complete, from reliable sources, and was provided in good faith, and nothing has come to the attention of JRG that would call into question such assumptions.

Because the actual payment and collection of Pledged Revenues may be affected by future economic conditions, as well as other factors not all of which are considered in this Report, JRG cannot assure that the receipt of Pledged Revenues will be realized at the levels estimated in this Report. However, this Report presents JRG's best estimate of future Pledged Revenues the City may receive, based on historical data and current information. Furthermore, JRG has not conducted any market feasibility studies to determine real estate market values and conditions that may exist in the Expanded Project Area, and surrounding parts of the City. Consideration of market values and conditions are not within the scope of this Report nor are they within the scope of JRG's engagement.

In addition, the receipt of Pledged Revenues is dependent upon the continuing validity of the assumptions contained in this Report including the assumption that none of the following potential risks will occur and that the conditions of findings hold true. Although not exhaustive, JRG has compiled a list of potential risk factors and conditions that could occur and thus affect the level of Incremental Property Tax, Other City Revenue and Sales Tax Increment collected or distributed. Further, the receipt of Pledged Revenues may be affected by future economic conditions or changes in legislation and laws that, because they have not yet occurred, cannot be considered in this Report. Also listed are conditions of findings that are assumed to hold true. Since the risks and conditions are outside the control of JRG and their occurrence and magnitude cannot

be predicted with certainty, JRG has only identified them, but cannot determine the effect they may have on the estimates made in this Report and offers no opinion regarding possible outcomes or their likelihood of occurrence.

**Possible future actions by the State**

- Changes in the State Equalization Factor caused by a change in the County assessment practices or the method by which the State calculates this factor.
- Legislative changes in the level and method of providing assistance to local governments, which may affect local government reliance upon property and sales tax revenues.
- Changes in the Tax Limitation Act that would further limit the ability of local governments to extend or increase property tax rates or levies.
- Changes in property and sales tax laws that may affect or delay the timing or distribution of sales and property taxes.
- Legislative changes or court decisions affecting the County's ability to assess property pursuant to the assessment rates defined in the County's Real Property Assessment Classification Ordinance.
- Amendment or repeal of the Act resulting in reduction or elimination of Incremental Taxes.
- Changes in the manner in which the State distributes the net share of the State Sales Tax Increment.
- Reduction of the Aggregate State Sales Tax rate.
- Changes in the way homeowner or other property tax exemptions are applied to EAV, which could affect Incremental Property Tax calculations.
- Reduction of City Sales Tax by State legislation or City ordinance.
- Failure of the State to properly distribute State Sales Tax or Municipal Sales Tax revenue to the City.
- Reduction by the State of amounts of State Sales Tax distributed to the City.

**Possible future actions by the City**

- ❑ Failure of the City to properly administer the City or State share of Sales Tax Increment funds attributed to the Chatham Ridge Project Area.
- ❑ Amendments to the Chicago Property Tax Limitation Ordinance or the enactment of any additional ordinances that would restrict the City's ability to extend or increase property tax levies.
- ❑ Failure of the City to deposit Other City Revenue into the Fund at times and amounts as required to secure the State portion of Sales Tax Increment.

**Possible future actions by the County**

- ❑ Changes in the method of estimating the fair market value (FMV) of property in the County.
- ❑ Changes in the manner in which property tax exemptions, including value amounts, are administered.
- ❑ Changes in the assessment rates or in the incentive class program criteria specified in the County Real Property Assessment Classification Ordinance that are applied to the estimated FMV.
- ❑ Failure of the County Treasurer to distribute Incremental Property Taxes in a timely manner to the City or its designated trustee.
- ❑ Failure to administer assessment and tax extension practices and procedures of the County.
- ❑ Changes in the Certified Initial EAV, resulting in possible reductions of Incremental Property Taxes.
- ❑ Amendments to the County Property Tax Relief Ordinance, or the enactment of any additional ordinances that may further restrict the ability of the County to extend or increase property tax levies.
- ❑ A change in the way the County Clerk calculates incremental EAV or Incremental Property Taxes, resulting in possible reductions of Incremental Property Taxes.

**Possible future actions by other taxing agencies**

- Reductions in a taxing agency's property tax levy for whatever reason, which may result in a reduction in the property tax rate and Incremental Property Taxes.
- Claims against past or future Incremental Property Taxes as a result of administrative actions by the County in assigning Tax Codes and calculating the Certified Initial EAV.

**Possible actions by the Illinois Property Tax Appeal Board (PTAB)**

In 1967, the Illinois Property Tax Appeal Board (“PTAB”) was created for the purpose of correcting disparities in property tax assessments among downstate counties. All Illinois counties, except for Cook, assess property at a rate of 33-1/3% regardless of land use. Cook County classifies property by usage and assesses these classes at different levels (16% for residential, 36% for industrial, 38% for commercial). In order to apply a uniform level of assessment, PTAB uses a survey prepared by the Illinois Department of Revenue (“IDOR”) that compares actual sales prices to assessed value in order to determine the median level of assessment. In every county except Cook, PTAB’s use of the countywide median level of assessment is no longer an issue, in part, because it is presumed that all property is assessed at the same level.

In 1996, the State enacted legislation that allowed PTAB to extend its authority into Cook County. Since that time PTAB has struggled with IDOR’s application of median levels of assessment and the County’s property classification system. On February 21, 2002, The Civic Federation published *The Potential Financial Impact of Recent Decisions by the Illinois Property Tax Appeal Board* (the “PTAB Report”). The PTAB Report provides an overview and analysis of PTAB and its potential impact on Cook County equalized assessed valuations and property taxes. The PTAB Report indicates that the County has expressed objections with PTAB’s application and also have questioned the statistical accuracy of IDOR’s survey.

PTAB has the power to determine the assessed valuation of real property based on evidence presented through an appeals process. In recent cases, PTAB did not use the County Real Property Assessment Classification Ordinance assessment levels but used the median level of assessments derived by the IDOR’s record of property sales in determining assessment levels. As a result, tax refunds were granted to owners of large commercial and industrial properties who successfully petitioned PTAB. Such a reduction in assessments could have an adverse effect on the level of tax increment generated by a redevelopment project area. Tax refunds that result from appeals decided after final assessments are issued are deducted from revenues available to the

taxing bodies and TIF districts for future years. Therefore, the level of Incremental Property Taxes available to service the Bonds would be reduced accordingly.

The PTAB Report estimates the potential effect PTAB could have upon the City and County taxing agencies if PTAB continues to follow its current policies. This analysis indicated that pending decisions by PTAB could result in potentially large losses in local government revenue, and could shift the burden of property taxes toward residential property instead. The Civic Federation estimated that if the recent decisions of PTAB are applied across the board to all property in the County, the Chicago Board of Education could face an annual revenue loss of up to \$107 million; the City could face an annual loss of \$43 million; the County could face an annual loss of \$49 million; and, the Chicago Park District could face an annual loss of \$16 million. The Civic Federation projections further indicate that to compensate for the refunds resulting from these revenue losses, homeowners within the County may face an increase in their tax rate of 8% or more.

It is difficult to predict the impact that PTAB appeals and decisions could have on property tax revenue in the Expanded Project Area. However, as it relates to the Expanded Project Area, PTAB's impact may be diminished due to the terms of the Home Depot and Cineplex development agreements that stipulate that they will be reimbursed a portion of the tax revenue they generate. Therefore, the less tax collected from them, the less tax revenue for which they will be reimbursed. However, once reimbursed, they may be inclined to appeal their AV.

Recently, Ryerson Steel achieved through PTAB a reduction in the assessed valuation of two parcels located within the Original Project Area. This reduction will result in an estimated \$58,961 tax refund to Ryerson Steel. This refund will be paid from future Incremental Property Taxes collected for the Chatham Ridge Project Area (Agency 0725-9, which is the unique number assigned by the County to the Chatham Ridge Project Area for the purpose of collecting and distributing property taxes).

- Reductions in AV, which may result in property tax refunds that are derived from future Incremental Property Taxes collected for the Chatham Ridge Project Area (Agency 0725-9).

**Possible future matters related to the Expanded Project Area**

- Failure of the EAV of the Expanded Project Area to remain at or above the Certified Initial EAV.

**Possible future actions by the taxpayers, property owners or tenants**

- ❑ Failure of the current or future owners and their managers, leasing agents or other professionals to maintain the economic viability of their property and to act promptly to replace tenants, or sell their property to new occupants, once the premises are vacated.
- ❑ Filing bankruptcy petitions, which may result in the reduction of available sale tax revenue, non-payment of real estate taxes, and may prevent unpaid taxes from being offered at the County's annual tax sale.
- ❑ Successful application by one or more owners for the reduction of AV of a property below the levels estimated in this Report.
- ❑ Successful application by one or more owners for the reduction of AV through any of the County's special assessment classifications designed to stimulate investment, the collective result of which may be a reduction in Incremental Property Taxes. (There have been no such requests to date.)
- ❑ Future commercial/retail leases secured by the Shopping Center owners may include a greater mix of tenants that do not generate sales tax.
- ❑ Failure of property owners to pay property taxes or to remit sales tax to the State in a timely manner.
- ❑ Conveyance of property by one or more owners to tax-exempt entities, the collective result of which may be a reduction in Pledged Revenues.
- ❑ Successful application by one or more owners, to the State Property Tax Freeze Program.

**General economic conditions**

- ❑ Lower than historic inflationary growth in property values within the Expanded Project Area, *i.e.*, below the inflation estimates assumed in this Report.
- ❑ Real estate and retail market conditions, neighborhood changes, rezoning, federal, state or local economic conditions, etc., that may prevent or delay the sale or lease of property, or reduce the value of real estate within the Expanded Project Area below the values assumed in this Report.

- Significantly greater increases in EAV outside the Expanded Project Area than within the Expanded Project Area that could result in lower tax levies and thus reduce the Incremental Property Taxes from the Expanded Project Area.

**Force majeure conditions**

- Riots, civil disturbances, vandalism, fires, various natural disasters or other "acts of God" affecting the conditions and viability of properties, which may reduce or eliminate the receipt of Incremental Taxes.
- Labor strikes, or shortages in materials or labor that may reduce Incremental Taxes.
- Adverse environmental conditions, which may render all or a portion of the Expanded Project Area unusable.

## IV OVERVIEW OF METHODOLOGY FOR CALCULATING PLEDGED REVENUE

This section provides an overview of the methodology and major assumptions used in estimating Pledged Revenue that may be generated within the Expanded Project Area.

### A. INCREMENTAL PROPERTY TAX

Incremental property tax is the portion of real estate tax generated from EAV over and above the Certified Initial EAV established by the county clerk's office for a redevelopment project area. The redevelopment project area begins generating Incremental Property Tax after the EAV exceeds the Certified Initial EAV of the redevelopment project area. The County Clerk calculates Incremental Property Tax separately for every Tax Code within the redevelopment project area, *i.e.*, a Tax Code begins generating Incremental Property Taxes after the EAV of that Tax Code exceeds the Certified Initial EAV of that Tax Code. The resulting increment in EAV for the Tax Code is then multiplied by the aggregate tax rate of the taxing agencies, which levy taxes on the parcels within that Tax Code.

#### General Methodology for Calculating Equalized Assessed Valuation

EAV is calculated for each property within the Expanded Project Area as follows.

$$\begin{array}{rcl}
 & \text{Estimated Fair Market Value} & \\
 \times & \text{Assessment Rate} & \\
 = & \text{Assessed Valuation} & \\
 \times & \text{State Equalization Factor} & \\
 = & \text{Equalized Assessed Valuation} & 
 \end{array}$$

#### General Methodology for Calculating Incremental Property Tax

Incremental property tax for every Tax Code within a redevelopment project area is calculated as follows.

$$\begin{array}{rcl}
 & \text{Total Equalized Assessed Valuation} & \\
 - & \text{Certified Initial EAV} & \\
 = & \text{Incremental EAV} & \\
 \times & \text{Tax Rate} & \\
 = & \text{Gross Incremental Property Tax} & \\
 \times & \text{Tax Distribution Rate} & \\
 = & \text{Incremental Property Tax} & 
 \end{array}$$

The Incremental Property Tax expected to be generated in the Expanded Project Area and included in this Report is based solely on (i) the assessment and reassessment of land and improvements presently contained within the Expanded Project Area; and (ii) other assumptions and conditions contained in this Report.

Each of the factors outlined in the above calculations and assumed for this analysis are reviewed below and summarized in tables throughout this section of the Report.

### **Estimated Fair Market Value ("FMV")**

The Assessor assesses a parcel of property by (a) estimating the FMV of the land and improvements of that parcel, (b) multiplying the FMV by the appropriate assessment rate to derive the AV of that parcel and (c) multiplying the AV by the State Equalization Factor to derive the EAV of that parcel.

- Estimated future FMV contained in this Report assumes the assessed valuation of parcels will steadily increase and any future vacancies within the Shopping Center will be filled immediately with a tenant having lease terms similar to those of the vacating tenant.

### **Assessment Rates**

Except for farmland and certain railroad property, which are assessed by the State, the County assesses all taxable real estate within Cook County. The County assesses all real estate by (a) classifying the property or improvement by its type of use, (b) estimating its FMV and (c) multiplying its FMV by the appropriate assessment rate listed below:

#### **Cook County Major Property Classification**

<u>Class</u>	<u>Assessment Rate</u>
1 Vacant Land	22%
2 Residential (6 units or less)*	16%
3 Residential (more than 6 units) **	33%
4 Not-for-profit	30%
5a Commercial	38%
5b Industrial	36%

\* Expanded in April 2000, to include buildings with both residential and commercial uses.

\*\* Excludes condominiums and attached townhouses that are owned separately and assessed at 16 percent

- An estimate of Incremental Property Taxes contained in this Report assumes the County Real Property Assessment Classification Ordinance (last revised on April 9, 2002) will remain the same throughout the period in this Report for which Incremental Property Taxes are estimated. To date, no properties within the Chatham Ridge Project Area have applied for incentive classification.

### **State Equalization Factor**

The distribution of State grants-in-aid for education, highways and public assistance is based on a formula, which includes a component of AV. To achieve more uniform assessments on a county-by-county basis for the equitable distribution of these grants-in-aid, the State issues an Equalization Factor for each county that is designed to make aggregate real estate assessment percentages uniform among the 102 counties in the State. Assessments on a countywide basis are equalized at 33-1/3 percent of estimated FMV. The State Equalization Factor was enacted in an attempt to equalize assessments in Cook County with those of the rest of the State and does not have any bearing on or correlation on EAV growth, assessments cycles, or the Consumer Price Index ("CPI"). The State Equalization Factor is calculated annually for each county from sales and AV data collected on properties that have sold during the year.

Because the County Real Property Assessment Classification Ordinance stipulates varying assessment rates for different types of property, total assessments equal less than one-third of the total taxable FMV. Consequently, the State Equalization Factor for the County has historically been greater than 1.0000. Listed below are the State Equalization Factors for Cook County for the ten-year period 1991-2000. The State Equalization Factor for 2001 has not yet been determined.

<u>Tax Year</u>	<u>Equalization Factor</u>
2000	2.2235
1999	2.2505
1998	2.1799
1997	2.1489
1996	2.1517
1995	2.1243
1994	2.1135
1993	2.1407
1992	2.0897
1991	2.0523

- For purposes of estimating Incremental Property Taxes, the five-year average (1996 – 2000) State Equalization Factor for the County of 2.1909 is used to estimate 2001 EAV and EAV in all subsequent years.

**Triennial Adjustment/Inflation Provision**

In 1990, the Assessor changed its reassessment schedule from every four years to every three years. The most recent reassessment for the City occurred in 2000. Property reassessment in the City is scheduled to occur again in 2003 and every three years thereafter.

Property values in this Expanded Project Area have increased between 2% and 8% during the period between 1998 and 2000. These three years were reviewed because both the Home Depot and the Cineplex were fully assessed beginning in 1998. The inflation rate estimate of 2% is used in this Report to maintain a conservative analysis. This Report assumed the following reassessment increase.

- The EAV of stabilized taxable property within the Expanded Project Area is estimated to increase at a rate of 2% per annum, or by approximately 6.1% per triennial reassessment period.

**Certified Initial Equalized Assessed Valuation**

The Certified Initial EAV for a redevelopment project area is the EAV on record at the time a municipality adopts a TIF ordinance for that project area. The Certified Initial EAV establishes the base valuation from which tax revenues derived from such base are distributed to all taxing agencies having jurisdiction over that redevelopment project area. Property taxes derived from EAV exceeding the Certified Initial EAV are allocated to and deposited into a Special Tax Allocation Fund.

In Cook County, the Certified Initial EAV is determined on a Tax Code basis. The Expanded Project Area consists of the Original Project Area and Added Area. The Original Project Area was adopted on December 18, 1986 and consists of one Tax Code 72009. On March 1, 1988, the Cook County Clerk certified the initial EAV to be \$1,369,425. On January 15, 2002, the Cook County Clerk issued a corrected Certified Initial EAV to include two omitted parcels, permanent index numbers ("PIN") 20-33-305-027 and 20-33-305-028. The corrected Certified Initial EAV for the Original Project Area dated January 15, 2002, is \$1,482,245.

The Added Area adds \$1,144,387 in EAV to the Certified Initial EAV, thereby increasing the Certified Initial EAV to \$2,626,632. Listed below are the Certified Initial EAVs of the Original Area and Expanded Project Area, as the case may be, and the assessment years in which each apply.

<u>Assessment Years</u>	<u>Certified Initial EAV</u>
1986 through 2000	\$1,369,425
2001	\$1,482,245
2002 through 2009	\$2,626,632

- The Certified Initial EAV for the Expanded Project Area for assessment years 2002 through 2009 is \$2,626,632.

### **Tax Rate**

The final aggregate property tax rate extended against real property within the Expanded Project Area is affected by many factors, including each taxing agency's budget requirements, the total EAV contained within each taxing agency's jurisdiction, and the Tax Limitation Act. Presented below is an overview of the Tax Limitation Act, current tax rates, and estimated future tax rates.

### Tax Limitation Act

On July 18, 1991, the Illinois General Assembly passed the Property Tax Extension Limitation Law (Public Act 87-17, the "Tax Limitation Act"). In Cook County, the Tax Limitation Act requires, for the 1992 levy and subsequent levies, the County Clerk to use the prior year EAV to determine the rate at which taxes are to be extended in the current year.

Effective February 12, 1995, the Illinois General Assembly enacted Public Act 89-1 to amend the Tax Limitation Act to apply to Cook County taxing districts for the 1994 levy and subsequent levies. The Tax Limitation Act, as so amended, requires that (i) prior year EAV be used to determine the rate at which taxes are to be extended in the current year and (ii) that the growth in the 1994 levy be limited to 5 percent and that growth in levies subsequent to 1994 be limited to the lesser of 5 percent or the Consumer Price Index (CPI) for that year.

All taxing districts within the County, except for home-rule units of government, are subject to the Tax Limitation Act. The City and Cook County are home-rule units. In addition, any previously existing tax limits continue to apply to all applicable funds of taxing districts. Certain debt obligations are excluded from the Tax Limitation Act if

separately levied, including general obligation bonds approved by referendum, general obligation bonds issued prior to March 1, 1995, and certain other fund extensions.

Pursuant to the Tax Limitation Act, the Cook County Tax Extension Office determines final tax rates as follows:

1. Preliminary tax rates by fund are computed for each taxing district by multiplying the prior year EAV by the fund's rate limit. This establishes the maximum allowable levy for funds with rate limits. *Second*, calculate the preliminary tax rates for funds with rate limits by dividing the lesser of the maximum allowable levy or the actual levy by the current year EAV.
2. Sum the preliminary rates for those funds subject to the Tax Limitation Act.
3. Compute the numerator of the "limiting rate" by multiplying the prior year extensions for funds subject to the Tax Limitation Act by 1.05 (for the 1994 levy) or by 1 plus the lesser of 5% or the CPI for the year (for levies subsequent to 1994).
4. Compute the denominator of the limiting rate by subtracting from the current year EAV the product of the AV of new property times the State Equalization Factor.
5. Compute the limiting rate by dividing the result of Step 3 by the result of Step 4.
6. Compare the sum of the preliminary rates from Step 2 to the limiting rate from Step 5.
  - If the sum of the preliminary rates from Step 2 is less than or equal to the limiting rate the district is not affected by the Tax Limitation Act and taxes are extended as usual.
  - If the sum of the preliminary rates from Step 2 is greater than the limiting rate the Tax Limitation Act affects the district and steps 7 and 8 are completed.
7. If the Tax Limitation Act affects the district, reduce the preliminary rates, which are subject to the Tax Limitation Act from Step 1 by multiplying each preliminary rate by a factor equal to the limiting rate divided by the sum of the preliminary rates from Step 2. (A taxing district may direct a different formula for the reductions, provided the "limiting rate" and the maximum rates computed using prior year EAV are not exceeded.)
8. Extend taxes using the rates computed in Step 7.

Aggregate Property Tax Rate

The aggregate property tax rate for a real property is determined by summing the tax rates of all taxing agencies having jurisdiction over that property. The County then assigns to each parcel a five-digit code (the "Tax Code") to identify the unique set of taxing agencies having jurisdiction over those parcels. All parcels within the Original Project Area are assigned the Tax Code 72009. All parcels within the Added Area are assigned the Tax Code 72001. With the exception of the Chatham Ridge Project Area (Agency 0725-9), which does not extend taxes, both Tax Codes contain the same set of taxing agencies. Listed below are the taxing agencies contained in Tax Code 72009, which extend taxes and the 2000 tax rate for each agency. Finally, the percent of the total tax rate attributable to each taxing agency is listed.

<b>Taxing Districts for Tax Code 72009</b>	<b>Tax Rate</b>	<b>Percent of Total</b>
County of Cook	0.824	10.58%
Forest Preserve District of Cook County	0.069	0.88%
Metro. Water Reclamation District of Greater Chicago	0.415	5.33%
Chicago Community College District 508	0.311	3.99%
City of Chicago Library Fund	0.162	2.08%
City of Chicago	1.498	19.23%
Board of Education	3.714	47.69%
Chicago Park District	0.572	7.34%
Chicago School Finance Authority	0.223	2.86%
<b>TOTAL</b>	<b>7.788</b>	<b>100.00%</b>

Estimated Tax Rate

JRG reviewed the historic tax rates of Tax Code 72009 for the fourteen-year period 1987 through 2000. Listed below are the tax rates for that period.

<b>Assessment Year</b>	<b>Tax Rate</b>	<b>Reassessment Year Tax Rate</b>	<b>Percent Change from Previous Reassessment Year</b>
2000 *	7.788%	7.788%	-11.9%
1999	8.536%		
1998	8.872%		
1997 *	8.843%	8.843%	-4.5%
1996	9.453%		
1995	9.345%		
1994 *	9.264%	9.264%	-3.9%
1993	9.435%		
1992	9.501%		
1991 *	9.311%	**	
1990 *	9.964%	9.638%	-2.8%
1989	10.197%		
1988	9.927%		
1987 *	9.660%	9.660%	n.a.

\* Indicates a reassessment year. Beginning in 1990, Cook County began reassessing property every three years.

\*\* Indicates the average tax rate of the two reassessment years for the City of Chicago occurring in 1990 (north-half) and 1991 (south-half). Back-to-back reassessments occurred in the City of Chicago during these years to convert from a quadrennial to a triennial reassessment period.

The aggregate property tax rates for the period 1987 through 2000 ranged from 7.788 percent in 2000 to 10.197 percent in 1989. Generally, during this period tax rates have been gradually declining. Excluding the most recent reassessment year, the aggregate property tax rate from one reassessment year to the next declined between approximately 2.9 percent to 4.5 percent. The 11.9 percent decline between the 1997 and 2000 reassessment years is highly unusual and is due to a major upward reassessment of residential properties in the City of Chicago. Between 1997 and 2000, there was a large amount of residential construction and sales activity within Chicago that boosted sale prices and assessed valuations, especially near downtown. Recent economic conditions indicate that this accelerated growth in residential values will not likely continue through the next reassessment year.

Below is a list of the estimated tax rates for future years generated for this Report.

<b>Assessment/distribution Year</b>	<b>Estimated Tax Rate</b>
2001-2002	7.788%
2002-2003	7.788%
2003-2004	7.492%
2004-2005	7.492%
2005-2006	7.492%
2006-2007	7.207%
2007-2008	7.207%
2008-2009	7.207%
2009-2010	6.933%

- For purposes of estimating future tax rates contained in this Report, a 3.8 percent average decline in the aggregate tax rate is used in reassessment years. This average decline excludes the percent decline between the 1997 and 2000 reassessment years, since this decline is largely attributable to the recent unusual growth in residential valuation. Tax rates in non-reassessment years are held constant.

### **Distribution Rate**

The Distribution Rate adjusts potential Incremental Property Tax distributions for uncollected taxes, adjudicated Certificates of Error, specific objections, returned checks, illegal tax rates, duplicated payments, overpayments, sales in error, interest earnings, and decisions of PTAB. Listed below for the assessment/distribution period 1998/1999 through 2000/2001 are the Potential Incremental Property Tax Distributions and the Net Distributions for the Chatham Ridge Project Area. Net Distribution and Distribution timing is based on the Record of Distribution Records maintained by the Cook County Treasurer. The Distribution Rate shown in the last column of the chart below is the result of the Net Distribution divided by the Potential Incremental Property Tax. The Average Distribution Rate is based on the total Net Distributions for the total distributions for the period 1998/1999 through 2000/2001, divided by the Potential Incremental Property Tax for the same period. The Net Distribution for TIF Year 15 includes Net Distributions through November 9, 2001. (TIF Year is based on Distribution Year.)

The 2000/2001 Net Distribution is disproportionately low because Loews Cineplex filed for bankruptcy protection and has not paid its 2000 property taxes. Therefore, the 2000/2001 Net Distribution shown in the table below is adjusted to exclude the EAV and taxes attributable to Loews Cineplex in order to reflect a more accurate scenario. Thus, the computation of the 2000/2001 Distribution Rate excludes the potential 2000/2001 property tax payment and distribution attributable to Loews Cineplex. Additionally, the 2000/2001 Net Distribution and Potential Incremental Property Tax is reduced by \$58,961 to reflect the property tax refund to be paid to Ryerson Steel as a result of the AV reduction achieved through PTAB. The refund will be paid from future Incremental Property Taxes collected for the Chatham Ridge TIF Agency 0725-9.

For purposes of this Report, the assumed average Net Distribution Rate is 94.7163%, which excludes the impact of the non-payment of taxes by Loews Cineplex. The impact of possible future tax collection losses attributable to Loews Cineplex can be estimated by examining *Table 1, Estimate of Future Incremental Property Tax by Land Use: 2002 - 2010*, located in Section V, which summarizes estimates of Incremental Property Tax by major land uses.

Distribution Year	TIF Year	Potential Incremental Property Tax	Net Distribution	Distribution Rate
1998/1999	13	\$1,605,767	\$1,499,577	93.3870%
1999/2000	14	\$1,581,545	\$1,492,160	94.3482%
2000/2001 <i>(Adjusted to reflect Ryerson Steel tax refund)</i>	15	\$1,517,592	\$1,110,095	73.1484%
2000/2001 <i>(Adjusted to reflect Loews Cineplex and Ryerson Steel)</i>		\$1,143,338	\$1,110,095	97.0925%
<b>Average Net Distribution Rate</b>		\$4,330,650	\$4,101,832	<b>94.7163%</b>

- The average Net Distribution Rate used in this Report is 94.7163%

### Net Incremental Property Tax Distribution

Incremental Property Tax distributions for years 2002-2010 are calculated by using the methodology described above. Generally, Incremental Property Taxes are distributed in connection with the collection of the first and second tax installments. Prior to 1999, the Cook County Treasurer distributed Incremental Property Taxes in connection with the second tax installment in the fall. Beginning with distribution year 2000, the Treasurer began distributing portions of Incremental Property Taxes in connection with the first tax installment in the spring. Listed below is a summary of Net Distributions in connection with the first and second installments of distribution years 1996 through 2001.

Distribution Year	TIF Year	Distributed 1/01-6/30	%	Distributed 7/01-12/31	%	Distributed After 12/31	%
1995/1996	10	\$0	0.0%	\$641,944	96.0%	\$26,928	4.0%
1996/1997	11	\$0	0.0%	\$637,429	99.4%	\$3,669	0.6%
1997/1998	12	\$0	0.0%	\$959,558	94.9%	\$51,226	5.1%
1998/1999	13	\$0	0.0%	\$1,498,352	99.8%	\$3,225	0.2%
1999/2000	14	\$727,192	48.7%	\$762,769	51.1%	\$2,198	0.1%
2000/2001	15	\$567,196	51.5%	\$601,859	54.2%	\$58,961*	-5.3%

\* Estimated refund to Ryerson Steel.

- For the purpose of this Report, for the distribution period 2002 through 2010, it is assumed that 48% of Net Distributions will occur by June 30th, and 52% will occur after June 30th.

### Redevelopment Project Duration and Incremental Property Taxes

The Redevelopment Plan establishes the estimated dates of the completion of the redevelopment project and retirement of obligations issued to finance redevelopment project costs. According to the Act, those dates shall not be later than December 31 of the year in which the payment to the municipal treasurer is to be made with respect to *ad valorem* taxes levied in the twenty-third calendar year after the year in which the ordinance approving the redevelopment project area is adopted. Furthermore, all obligations issued by the City shall be retired within twenty (20) years of their date of issuance.

The Original Plan was adopted on December 18, 1986. Amendment No. 2 extends and establishes the estimated dates of completion of the redevelopment project and retirement of obligations issued to finance redevelopment project costs, with respect to the Expanded Project Area and deposit of Incremental Property Taxes into the Fund, to December 31, 2010. Amendment No. 3 extends the estimated dates of completion of

the redevelopment project and retirement of obligations, with respect to the Original Project Area, to December 31, 2013.

- It is assumed that (i) the Original Project Area and Expanded Project Area will continue to be assessed through December 31, 2009, at the levels set forth in this Report, (ii) the Redevelopment Plan will remain in place for the length of time required to complete the redevelopment project and retire the Bonds, (iii) Incremental Property Taxes will be deposited into the Fund at times and in amounts as estimated in this Report, and (iv) the total Incremental Property Taxes deposited into the Fund during 2010 will be in the amount estimated in this Report and will serve as the basis for determining additional deposits into the Fund by the City during years 2010 through 2013.

## B. OTHER CITY REVENUE

Pursuant to the Act, for redevelopment project areas for which bonds were issued before July 29, 1991, or for which contracts were entered into before June 1, 1988, in connection with a redevelopment project in the area within a State Sales Tax Boundary, the estimated dates of completion of the redevelopment project and retirement of obligations to finance redevelopment project costs may be extended by municipal ordinance to December 31, 2013.

Such an extension allows a municipality to continue to receive from the State a share of the Illinois Tax Increment Fund, so long as the municipality deposits, from any funds available, excluding funds in the Fund, an amount equal to the municipal share of Incremental Property Taxes into the Fund during each of the extension years. This amount shall be equal to the City's share of Incremental Property Taxes for the most recent year that Incremental Property Taxes from all taxing agencies were distributed by the County (the "Other City Revenue").

The Outstanding Bonds were issued in September 1988, in connection with a redevelopment project within the Original Project Area, which is also the State Sales Tax Boundary.

On May 29, 2002, the City Council adopted Amendment No. 3, which extends the estimated dates of completion of the redevelopment project and retirement of obligations to finance redevelopment project costs involving the pledge of State Sales Tax Increment, as part of the Pledged Revenues estimated in this Report, until December 31, 2013. In the absence of the extended term, the final year in which the State would contribute State Sales Tax Increment is 2009. The extended term allows the City to continue to receive from the State a share of the Illinois Tax Increment Fund during years 2010, 2011, 2012 and 2013. This extended term will require the City to deposit Other City Revenue into the Fund during the extended term years 2010, 2011, 2012 and 2013. Finally, the extended term is granted for State Sales Tax Increment generated within the Original Project Area and not the Added Area.

Summarized below is the methodology used to calculate Other City Revenue for years 2010 through 2013.

$$\begin{aligned} & \text{Most recent Incremental Property Tax deposit} \\ & \times \text{ Estimated City percentage share based on the Aggregate Sales Tax Rate } \\ & = \text{ Other City Revenue} \end{aligned}$$

**Most Recent Incremental Property Tax Deposit**

According to the Act, a municipality shall not receive from the State any share of the Illinois Tax Increment Fund unless such municipality deposits all its Municipal Sales Tax Increment and the local share of Incremental Property Taxes into the Fund.

For purposes of estimating Other City Revenue for the distribution period 2010 through 2013, the City's share of Incremental Property Taxes for the most recent year that Incremental Property Taxes were distributed by the County is based on 2010 Incremental Property Tax distributions.

However, during the first extended year (2010), the 2010 Incremental Property Tax distributions will not be known until on or after December 31, 2010. In order to satisfy the requirement of depositing Other City Revenue in the Fund to permit the City to receive from the State its share of the Illinois Tax Increment Fund during 2010, the most recent Incremental Property Tax deposit during the first extended year (2010) will first be based on 2009 Incremental Property Tax distributions, followed by a spring 2011 reconciliation deposit of any positive difference between the 2010 and 2009 Incremental Property Tax distributions.

- It is assumed that (i) the most recent year that Incremental Property Taxes from all taxing agencies will be distributed by the County is 2010, (ii) the Other City Revenue deposit into the Fund during all extended years will be based on 2010 Incremental Property Tax distributions, and (iii) 2010 Incremental Property Tax distributions will be in the amount estimated in this Report. During 2010, the amount is first based on the estimated 2009 distributions, and a reconciliation payment is deposited into the Fund during 2011.

**Estimated City Share**

The City's share of Incremental Property Taxes to be distributed by the County in 2010 is based on the City's current share of such revenues based on 2000 tax rates extended in 2001. The total aggregate property tax rate for 2000 taxes extended in 2001 was 7.788 percent, and the City's 2000 tax rate was 1.498 percent, or approximately 19.235 percent of the total aggregate tax rate.

- It is assumed that the City's *pro rata* share of the total aggregate tax rate will remain at the year 2000 level.

**Other City Revenue**

Other City Revenue is derived by multiplying the most recent Incremental Property Tax deposited into the Fund by the City's *pro rata* share of the total aggregate tax rate.

- For calendar year 2010, the estimate of Other City Revenue deposited into the Fund is based on an amount equal to the Incremental Property Taxes estimated to be deposited into Fund during the 2009 calendar year.
- For calendar year 2011, the estimate of Other City Revenue deposited into the Fund is based on an amount equal to (i) the Incremental Property Taxes deposited into the Fund in the 2010 calendar year, plus (ii) the positive difference, if any, between the amount of Incremental Property Taxes actually deposited into the Fund in the 2010 calendar year and the amount so deposited in the 2009 calendar year.
- For calendar years 2012 and 2013, the estimate of Other City Revenue deposited into the Fund is based on an amount equal to the Incremental Property Taxes actually deposited into the Fund in the 2010 calendar year.
- It is assumed that the City will make all such deposits in a manner that will permit the State to deposit the Municipal Sales Tax Increment and Net State Sales Tax Increment into the Fund in accordance with the schedule otherwise established by the State of Illinois for such deposits.

**Redevelopment Project Duration and Other City Revenue Deposits**

The Outstanding Bonds were issued before July 29, 1991, in connection with a redevelopment project within the Original Project Area, which is also the State Sales Tax Boundary. Amendment No. 3 extends the estimated dates of completion of the redevelopment project and retirement of obligations, with respect to the Original Project Area, to December 31, 2013.

- It is assumed that (i) retailers operating within the Original Project Area will collect and remit to the Illinois Department of Revenue the level of sales taxes estimated in this Report, (ii) the Redevelopment Plan will remain in place for the length of time required to complete the redevelopment project and retire the Bonds, (iii) Other City Revenue will be deposited into the Fund by the City at times and in amounts as estimated in this Report, and (iv) the City will continue to receive from the State its share of the Illinois Tax Increment Fund attributable to the Original Project Area as estimated in this Report through December 31, 2013.

## C. SALES TAX INCREMENT

For purposes of estimating Pledged Revenues contained in this Report, “Sales Tax Increment” means collectively the “Distributed Net State Sales Tax Increment” (defined below) and the “Municipal Sales Tax Increment” (defined below), which is pledged toward the payment of the Bonds. Summarized below is the methodology used by the State of Illinois Department of Revenue to calculate Net State Sales Tax Increment and Municipal Sales Tax Increment.

The estimates of Sales Tax Increment contained in this Report is based on (i) continued taxable sales at 2001 sales levels, and (ii) other assumptions and conditions contained in this Report. Summarized below are major assumptions and conclusions of the above listed due diligence tasks.

### 1. CALCULATION OF DISTRIBUTED NET STATE SALES TAX INCREMENT

Discussed below is the general methodology the State uses to calculate Distributed Net State Sales Tax Increment. Exhibit E-4, *Distributed Net State Sales Tax Increment: Fiscal Year 2001*, contained at the end of this Report illustrates this calculation and contains an estimate of Fiscal Year 2001 sales volumes and Aggregate Sales Taxes.

	<b>Aggregate Sales Tax</b>
-	<u>Payments to Local Tax Funds</u>
=	<b>State Sales Tax</b>
-	<u>Initial State Sales Tax Amount</u>
=	<b>Increased State Sales Tax Revenue</b>
-	<u>Administration and Enforcement Fee (3.0%)</u>
=	<b>State Sales Tax Increment (“SSTI”)</b>
x	80% of the 1 <sup>st</sup> \$100,000 of SSTI, plus
x	60% of SSTI between \$100,000 and \$500,000, plus
x	<u>40% of SSTI in excess of \$500,000</u>
=	<b>Net State Sales Tax Increment (Original Project Area)</b>
÷	<u>Total Net State Sales Tax Increment (State-wide)</u>
=	<b>Calculation Percentage</b>
x	<u>Authorized State Sales Tax Increment Expenditure</u>
=	<b>Distributed Net State Sales Tax Increment</b>

**Aggregate Sales Tax**

Aggregate Sales Tax consists of the aggregate amount of taxes paid by retailers and servicemen, other than retailers and servicemen subject to the Public Utilities Act, on transactions at places of business located within a State Sales Tax Boundary pursuant to the Retailers' Occupation Tax Act, the Use Tax Act, the Service Use Tax Act, and the Service Occupation Tax Act.

Transactions at places of businesses located within the Original Project Area generally fall within and are subject to the Retailers' Occupation Tax Act and the Service Occupation Tax Act (collectively, the "Occupation Tax Acts" or "Occupation Tax"). Examples of these transactions include customer purchases of general merchandise, services that include parts or materials subject to sales tax, and qualifying food, drug and medical appliances. The total Occupation Tax rate within the City is 8.75 percent on general merchandise, and 2.0 percent on qualifying food, drug and medical appliances.

Transactions that are subject to the Use Tax Act or the Service Use Tax Act (collectively, the "Use Tax Acts" or "Use Tax") generally include, but are not limited to, merchant and service provider purchases of goods and materials that are used in the conduct of such businesses. For merchants and service providers with multiple locations, the Use Tax is reported to the State on an aggregate basis, and the State allocates the Use Tax to municipalities (and Sales Tax Boundary areas) on a *pro rata* share of the State Occupation Tax and Use Tax reported by each site of such merchants and service providers. The total Use Tax rate within the State is 6.25 percent on general merchandise, and 1.0 percent on qualifying food, drug and medical appliances.

Estimate of 2001 Taxable Sales

Listed below is an estimate of 2001 sales volumes for major retailers within the Original Project Area. This estimate is based on the Net Sales Tax Increment generated within the Original Project Area for State Fiscal Year 2001, and various other data collected during the preparation of this Report. See Exhibit E-4, *Distributed Net State Sales Tax Increment: Fiscal Year 2001*, contained at the end of this Report for additional detail related to the calculation of the following estimates.

<b>Major Retailer</b>	<b>Size</b>	<b>Estimated Sales Per SF *</b>	<b>Estimated FY 2001 Sales</b>	<b>Percent of Total Sales</b>
Loews Cineplex	66,563 SF	\$45.07 /SF	\$3,000,000	4.0%
Home Depot	100,000 SF	\$373.00 /SF	\$37,300,000	49.4%
Cub Foods	43,920 SF	\$250.00 /SF	\$10,980,000	14.5%
All Other	145,950 SF	\$166.06 /SF	\$24,236,697	32.1%
<b>Total</b>	<b>356,433 SF</b>	<b>\$211.87 /SF</b>	<b>\$75,516,697</b>	<b>100.0%</b>
Total without				
Loews Cineplex	289,870 SF	\$250.17 /SF	\$72,516,697	96.0%

\* Estimated sales per square foot is derived by dividing the Estimated FY 2001 Sales by the estimated floor area of retailer, and rounded to the nearest penny.

Estimate of 2001 Aggregate Sales Tax

Listed below is an estimate of the 2001 Aggregate Sales Tax by major retailers within the Original Project Area. This estimate is based on the Net Sales Tax Increment generated within the Original Project Area for State Fiscal Year 2001, and various other data collected during the preparation of this Report. See Exhibit E-4 contained at the end of this Report for additional detail related to the calculation of the following estimates.

**Estimated Aggregate Sales Tax by Major Retailers**

<b>Major Retailer</b>	<b>Municipal (1.0%)</b>		<b>State (5.0%)</b>		<b>Aggregate (8.75%)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Loews Cineplex	\$30,000	4.00%	\$112,500	3.44%	\$211,875	3.60%
Home Depot	\$373,000	49.40%	\$1,865,000	57.00%	\$3,263,750	55.10%
Cub Foods	\$109,800	14.50%	\$82,350	2.52%	\$330,773	5.50%
All Other	\$242,367	32.10%	\$1,211,835	37.04%	\$2,120,710	35.80%
<b>Total</b>	<b>\$755,167</b>	<b>100.00%</b>	<b>\$3,271,685</b>	<b>100.00%</b>	<b>\$5,927,108</b>	<b>100.00%</b>
Total without						
Loews Cineplex	\$725,167	96.00%	\$3,159,185	96.56%	\$5,715,233	96.40%

**Aggregate Sales Tax Rate.** Listed below are the tax rates that comprise the Aggregate Sales Tax Rate extended against major types of sales transactions within the Original Project Area, and the local and state agencies that extend such taxes.

<b><u>All Taxing Agencies</u></b>	<b><u>General Merchandise</u></b>		<b><u>Qualifying Food &amp; Drugs and Medical Appliances</u></b>	
	<b><u>Occupation</u></b>	<b><u>Use</u></b>	<b><u>Occupation</u></b>	<b><u>Use</u></b>
	<b><u>Tax</u></b>	<b><u>Tax</u></b>	<b><u>Tax</u></b>	<b><u>Tax</u></b>
State of Illinois	5.00%	5.00%	0.00%	0.00%
City of Chicago	1.00%	0.00%	1.00%	0.00%
City of Chicago (Home Rule)	1.00%	0.00%	0.00%	0.00%
County of Cook	1.00%	0.00%	0.00%	0.00%
Regional Transportation Authority	0.75%	0.00%	1.00%	0.00%
<u>State and Local Sales Tax Reform</u>	<u>0.00%</u>	<u>1.25%</u>	<u>0.00%</u>	<u>1.00%</u>
<b>Total Tax Rate</b>	<b>8.75%</b>	<b>6.25%</b>	<b>2.00%</b>	<b>1.00%</b>

- It is assumed that the tax rates that comprise the total tax rate will remain the same over the life of the Redevelopment Plan.

#### **Payment to Local Tax Funds**

Payment to Local Tax Funds consists of the portion of Aggregate Sales Tax paid into the State and Local Sales Tax Reform Fund, the Local Government Distributive Fund, the Local Government Tax Fund, and the County and Mass Transit District Fund (collectively, referred to as the “Local Tax Funds” or “Local Sales Tax Rate”). The local component of the Occupation Tax rate within the City is 3.75 percent on general merchandise, and 2.0 percent on qualifying food, drug and medical appliances. The local component of the Use Tax within the State is 1.25 percent on general merchandise, and 1.0 percent on qualifying food, drug and medical appliances.

**Local Sales Tax Rate.** Listed below are the taxing agency components to the Local Sales Tax Rate extended against major types of sales transactions within the Original Project Area.

<b><u>Local Taxing Agencies</u></b>	<b><u>General Merchandise</u></b>		<b><u>Qualifying Food, Drug and Medical Appliances</u></b>	
	<b><u>Occupation</u></b>	<b><u>Use</u></b>	<b><u>Occupation</u></b>	<b><u>Use</u></b>
	<b><u>Tax</u></b>	<b><u>Tax</u></b>	<b><u>Tax</u></b>	<b><u>Tax</u></b>
City of Chicago	1.00%	0.00%	1.00%	0.00%
City of Chicago (Home Rule)	1.00%	0.00%	0.00%	0.00%
County of Cook	1.00%	0.00%	0.00%	0.00%
Regional Transportation Authority	0.75%	0.00%	1.00%	0.00%
<u>State and Local Sales Tax Reform</u>	<u>0.00%</u>	<u>1.25%</u>	<u>0.00%</u>	<u>1.00%</u>
<b>Total Tax Rate</b>	<b>3.75%</b>	<b>1.25%</b>	<b>2.00%</b>	<b>1.00%</b>

- It is assumed that the taxing agency components of the Local Sales Tax Rate will remain the same over the life of the Redevelopment Plan, and that payments to the Local Tax Funds will be at an amount that will derive the estimate of future Net Sales Tax Increment contained in Section V of this Report.

**State Sales Tax**

State Sales Tax is the amount of Aggregate Sales Taxes remaining after the State makes payments into the Local Tax Funds. The overall State Sales Tax rate is 5.0 percent.

- It is assumed that the State Sales Tax rate will remain the same over the life of the Redevelopment Plan.

**Initial Sales Tax Amount**

The Initial Sales Tax Amount is the Aggregate State Sales Tax as certified by the Illinois Department of Revenue and paid by retailers and servicemen on transactions at places of business located within the Original Project Area during the calendar year immediately prior to the year in which the City adopted the use of tax increment allocation financing for the Original Project Area.

- The certified Initial State Sales Tax for the Original Project Area is \$0, and is based on 1985 Aggregate Sales Tax Collections.

**Increased State Sales Tax Revenue**

The Increased State Sales Tax Revenue is the amount of State Sales Tax over and above the Initial State Sales Tax Amount.

- It is assumed that the combination of annual future Aggregate Sales Tax revenue and payments to Local Tax Funds will be at an amount that will derive the estimate of future Net State Sales Tax Increment contained in Section V of this Report.

**Administration and Enforcement Fee (3.0%)**

To cover the Illinois Department of Revenue's costs of administering and enforcing the collection and distribution of Sales Tax Increment pursuant to the Act, the Illinois Department of Revenue retains 3.0% of the increased State Sales Tax Revenue over and above the Initial State Sales Tax Increment.

- It is assumed that the Administration and Enforcement Fee will remain at 3.0 percent over the life of the Original Project Area.

**State Sales Tax Increment**

The State Sales Tax Increment is the amount of State Sales Tax over and above the Initial State Sales Tax Amount, less 3.0 percent of such amount.

**Net State Sales Tax Increment**

The Net State Sales Tax Increment is the sum of the following: (a) 80% of the first \$100,000 of State Sales Tax Increment annually generated within a State Sales Tax Boundary; (b) 60% of the amount in excess of \$100,000 but not exceeding \$500,000 of State Sales Tax Increment annually generated within a State Sales Tax Boundary; and (c) 40% of all amounts in excess of \$500,000 of State Sales Tax Increment annually generated within a State Sales Tax Boundary.

The purpose of the Net Sales Tax Increment is to reduce the impact of the State Sales Tax Increment allocation program on the State budget. Shortly after the State legislature authorized the use of State Sales Tax Increment for redevelopment project areas, it devised a formula for reducing the allocation of State Sales Tax Increment to state Sales Tax Increment redevelopment projects throughout the State. Generally, this formula restricts the amount of State Sales Tax Increment allocations to approximately 40% of the State Sales Tax Increment generated within successful redevelopment project areas. However, the State's Net Sales Tax Increment distribution is further reduced by the State to the amount the Illinois Department of Revenue is authorized to spend, per quarter, from the Illinois Tax Increment Fund.

The Net State Sales Tax Increment serves as the numerator to calculate the "Calculation Percentage" (defined below), which is used to *pro rate* the Illinois Department of Revenue's quarterly authorized Net Sales Tax Increment distribution from the Illinois Tax Increment Fund. Listed below are the historical annual Net State Sales Tax Increments ("Net Increments") for State Fiscal Years 1996 through 2001, and City Calendar Years 1996 through 2001. The State Fiscal Year begins July 1 of the previous year and concludes on June 30 of the current year (the "State Fiscal Year"). The City Calendar Year includes six months of the current State Fiscal Year and six months of the next following State Fiscal Year.

In calendar year 2000, Home Depot and Loews Cineplex began contributing to Net State Sales Tax Increment. Listed below are historic Net Sales Tax Increments for the period 1996 through 2001.

**Net State Sales Tax Increment**

<b><u>Year</u></b>	<b><u>State Fiscal Year</u></b>	<b><u>City Calendar Year*</u></b>
1996	\$361,856	\$360,123
1997	\$358,390	\$328,412
1998	\$298,433	\$346,838
1999	\$395,244	\$840,192
2000	\$1,285,140	\$1,337,277
2001	\$1,389,414	\$1,510,191

\* *City Calendar Year amounts are based on an extrapolation of quarterly State records through the first six months of State Fiscal Year 2002.*

- Estimates of future Sales Tax Increment are based on future Net State Sales Tax Increment remaining at calendar year 2001 levels.

**Total Net State Sales Tax Increment**

The Total Net State Sales Tax Increment is the sum of the Net State Sales Tax Increment generated by all State Sales Tax Increment redevelopment projects. The State uses the Total Net State Sales Tax Increment as the denominator to calculate the "Calculation Percentage", which is used to pro rate the State's quarterly authorized Net Sales Tax Increment distributions.

In calendar year 2000, Home Depot and Loews Cineplex began contributing to Total Net State Sales Tax Increment. Listed below is the historical annual Total Net State Sales Tax Increment ("Total Net Increment") for State Fiscal Years 1996 through 2001, and City Calendar Years 1996 through 2001.

**Total Net State Sales Tax Increment**

<b><u>Year</u></b>	<b><u>State Fiscal Year</u></b>	<b><u>City Calendar Year*</u></b>
1996	\$33,409,072	\$36,042,464
1997	\$38,675,855	\$39,766,651
1998	\$40,857,447	\$41,346,961
1999	\$41,836,475	\$42,770,943
2000	\$43,705,411	\$41,156,879
2001	\$38,608,347	\$38,311,064

\* *City Calendar Year amounts are based on an extrapolation of quarterly State records through the first six months of State Fiscal Year 2002.*

- Estimates of future annual Sales Tax Increment is based on future Total Net State Sales Tax Increment remaining at the calendar year 2001 level.

### Calculation Percentage

The State calculates a quarterly fraction for all state sales tax redevelopment projects to *pro rate* the State's quarterly authorized Net Sales Tax Increment distribution to those redevelopment projects. The Illinois Department of Revenue refers to this fraction as the "Calculation Percentage". The Calculation Percentage is calculated by dividing the Original Project Area's share of Net State Sales Tax Increment by the Total Net State Sales Tax Increment calculated for all State Sales Tax redevelopment projects. This fraction serves as the Original Project Area's percentage share of the quarterly authorized Net Sales Tax Increment distribution from the Illinois Tax Increment Fund.

Listed below is the historical annual total Calculation Percentage for State Fiscal Years 1996 through 2001. The annual total Calculation Percentage is the same as the quarterly Calculation Percentages for years 1997, 1998, 1999 and 2001. The annual total Calculation Percentages vary slightly from the quarterly Calculation Percentage for years 1996 and 2000.

### Calculation Percentage

<u>Year</u>	<u>State Fiscal Year</u>	<u>City Calendar Year*</u>
1996	1.1725%	n.a.
1997	1.0084%	n.a.
1998	0.8323%	n.a.
1999	1.0712%	n.a.
2000	3.5146%	n.a.
2001	4.3456%	n.a.

\* Calculation Percentages are not available based on City Calendar Year records.

- The estimate of future annual Sales Tax Increment is based on the Calculation Percentage for future years remaining at the calendar year 2001 level.

### Authorized State Sales Tax Increment Expenditure

Each year the State appropriates an amount that the Illinois Department of Revenue is authorized to spend, per quarter, from the Illinois Tax Increment Fund for the purpose of satisfying the State's Net Sales Tax Increment obligation to all State Sales Tax redevelopment project areas.

The Illinois legislature enacted a provision in Chapter 120 of the Illinois Compiled Statutes (paragraph 439.9) that provides a formula for determining the amount of the

Authorized State Sales Tax Increment Expenditure. This amount is determined by multiplying the State's portion of statewide sales taxes by a factor of 0.27 percent. Statewide sales taxes include sales taxes generated both within and outside of TIF districts.

Recently, 0.27 percent of state sales tax has generated an amount of between \$13.7 million and \$17.0 million annually for the purpose of satisfying the State's Net Sales Tax Increment obligation to all State Sales Tax redevelopment project areas. Listed below are the historical annual Authorized State Sales Tax Increment Expenditures ("Authorized Increment") for years 1996 through 2001. In calendar year 2000, Home Depot and Loews Cineplex began contributing to Total Net State Sales Tax Increment.

#### Authorized State Sales Tax Increment Expenditures

<u>Year</u>	State	City
	<u>Fiscal Year</u>	<u>Calendar Year*</u>
1996	\$13,519,514	\$13,731,522
1997	\$14,057,951	\$14,614,488
1998	\$14,855,733	\$15,212,630
1999	\$15,761,400	\$16,350,260
2000	\$16,945,826	\$16,907,897
2001	\$16,781,564	\$16,995,501

\* *City Calendar Year amounts are based on an extrapolation of quarterly State records through the first six months of State Fiscal Year 2002.*

- The estimates of future annual Sales Tax Increment is based on future Authorized State Sales Tax Increment Expenditures remaining at the calendar year 2001 level.

#### Distributed Net State Sales Tax Increment

Distributed Net State Sales Tax Increment is the annual sum of distributed quarterly payments by the Illinois Department of Revenue to the City for deposit into the Fund of the Original Project Area. Quarterly payments are calculated by multiplying the quarterly Authorized State Sales Tax Increment Expenditure by the Calculation Percentage for the Original Project Area.

In calendar year 2000, Home Depot and Loews Cineplex began contributing to Total Net State Sales Tax Increment. Listed below for years 1996 through 2001 are the historical annual Distributed Net State Sales Tax Increment for the Original Project Area. Distributed Net Sales Tax Increment occurs on a quarterly basis with the first quarterly payment occurring in October of the current fiscal year and the second, third

and final quarterly payments occurring in January, April and July, respectively, of the next following fiscal year.

**Distributed Net State Sales Tax Increment**

<u>Year</u>	<u>State Fiscal Year</u>	<u>City Calendar Year*</u>
1996	\$158,513	\$152,084
1997	\$141,760	\$139,761
1998	\$123,644	\$134,612
1999	\$168,836	\$268,369
2000	\$595,825	\$639,529
2001	\$729,259	\$727,502

\* *City Calendar Year amounts are based City records.*

Distributed Net State Sales Tax Increment for the Chatham Ridge Project Area is a function of all factors contained in the methodology of calculating Distributed Net State Sales Tax Increment, including the level of statewide sales taxes (both within and outside of TIF districts), and the sales tax performance of the Chatham Ridge Project Area relative to the performance of all State Sales Tax TIF districts.

- The estimates of future Sales Tax Increment is based on future Distributed Net State Sales Tax Increments remaining at the calendar year 2001 level.

**Inflation**

For the calendar year period 1996 through 2001, Distributed Net State Sales Tax Increment has increased from \$152,084 to \$727,502, or approximately 36.8 percent per annum. Between calendar year 2000 and 2001, Distributed Net State Sales Tax Increment increased from \$639,529 to \$727,502, or approximately 13.7 percent. These large annual increases during these years is largely attributable to the opening of Home Depot and Cineplex, and the re-tenanting of the Shopping Center.

In calendar year 2000, Home Depot and Loews Cineplex began contributing to Distributed Net State Sales Tax Increment. Generally, during the first year that a new retail store opens sales volumes increase rapidly and then stabilize. The increase in Distributed Net State Sales Tax Increment from 2000 to 2001 is attributed, in large part, to initial rapid sales acceleration of Home Depot before stabilization.

- It is assumed that overall sales within the Original Project Area are stabilized and no further increases (real or inflationary) over 2001 sales levels will occur. Accordingly, annual Distributed Net State Sales Tax Increment is assumed to remain constant for the period 2002 through 2013.

**Redevelopment Project Duration and State Sales Tax Increment**

For redevelopment project areas for which bonds were issued before July 29, 1991, or for which contracts were entered into before June 1, 1988, in connection with a redevelopment project in the area within a State Sales Tax Boundary, the estimated dates of completion of the redevelopment project and retirement of obligations to finance redevelopment project costs may be extended by municipal ordinance to December 31, 2013. This extension allowed by the amendatory Act of 1993 shall not apply to real property tax increment allocation financing under Section 11-74.4-8.

The Outstanding Bonds were issued in September 1988 in connection with a redevelopment project within the Original Project Area, which is also the State Sales Tax Boundary. Amendment No. 3 extends the estimated dates of completion of the redevelopment project and retirement of obligations, with respect to the Original Project Area, to December 31, 2013.

- It is assumed that (i) retailers operating within the Original Project Area will collect and remit to the Illinois Department of Revenue the level of sales taxes estimated in this Report, (ii) the Redevelopment Plan will remain in place for the length of time required to complete the redevelopment project and retire the Bonds, (iii) State Sales Tax Increment will be remitted to the City and deposited into the Fund by the City at times and in amounts as estimated in this Report, and (iv) the City will continue to receive from the State its share of the Illinois Tax Increment Fund attributable to the Original Project Area as estimated in this Report through December 31, 2013.

## **2. METHODOLOGY FOR CALCULATING MUNICIPAL SALES TAX INCREMENT**

Discussed below is the general methodology the State uses to calculate Municipal Sales Tax Increment. Exhibit E-4, *Distributed Net State Sales Tax Increment: Fiscal Year 2001*, contained at the end of this Report illustrates this calculation and contains an estimate of Fiscal Year 2001 sales volumes and Aggregate Sales Taxes.

### **Aggregate Payment to Municipality from Local Tax Fund**

- Initial Aggregate Payments to Municipality from Local Tax Fund
- = **Municipal Sales Tax Increment**

### **Aggregate Payment to Municipality from the Local Tax Fund**

The aggregate payment to a Municipality from the Local Tax Fund is the amount of local sales taxes arising from the extension of a municipality's 1.0 percent sales tax (non-Home Rule portion) on sales by retailers and servicemen within the redevelopment project area or State Sales Tax Boundary. This 1.0- percent sales tax is the sales tax paid under the Municipal Retailers' Occupation Tax Act and the Municipal Service Occupation Tax Act by retailers and servicemen, on the transactions at places of business located in the redevelopment project area or State Sales Tax Boundary.

- It is assumed that retailers and servicemen within the Original Project Area will continue to operate at calendar year 2001 sales volumes and their combined annual future Aggregate Sales Tax will be at an amount that will derive the estimate of future Municipal Sales Tax Increment contained in Section V in this Report.

### **Initial Aggregate Payment to Municipality from Local Tax Fund**

The Initial Aggregate Payment to the Municipality from the Local Tax Fund is the aggregate amount of taxes as certified by the Illinois Department of Revenue and paid under the Municipal Retailers' Occupation Tax Act and the Municipal Service Occupation Tax Act by retailers and servicemen, on the transactions at places of business located in the redevelopment project area or State Sales Tax Boundary, as the case may be, during the base year, which shall be the calendar year immediately prior to the year in which the municipality adopted tax increment allocation financing.

- The certified Aggregate Payment to Municipality from the Local Government Tax Fund for the Original Project Area is \$0, and is based on 1985 Aggregate Sales Tax Collections.

### **Municipal Sales Tax Increment**

The Municipal Sales Tax Increment means an amount equal to the increase in the aggregate amount of taxes paid to a municipality from the Local Government Tax Fund arising from sales by retailers and servicemen within the redevelopment project area or State Sales Tax Boundary, as the case may be, for as long as the redevelopment project area or State Sales Tax Boundary, as the case may be, exist over and above the aggregate amount of taxes as certified by the Illinois Department of Revenue and paid under the Municipal Retailers' Occupation Tax Act and the Municipal Service Occupation Tax Act by retailers and servicemen, on the transactions at places of business located in the redevelopment project area or State Sales Tax Boundary, as the case may be, during the base year, which shall be the calendar year immediately prior to the year in which the municipality adopted tax increment allocation financing.

Listed below are the annual Municipal Sales Tax Increments as provided by the City of Chicago.

<b><u>Calendar Year</u></b>	<b><u>Municipal Sales Tax Increment</u></b>
1996	\$104,647
1997	\$76,317
1998	\$121,682
1999	\$554,410
2000	\$628,314
2001	\$823,819

- It is assumed that retailers and servicemen within the Original Project Area will continue to operate at calendar year 2001 sales volumes and their combined annual future Aggregate Sales Tax will be at an amount that will derive the estimate of future Municipal Sales Tax Increment contained in Section V in this Report.

### **Inflation**

For the City Calendar Year period 1996 through 2001, Municipal Sales Tax Increment has increased from \$104,647 to \$823,819, or approximately 51.1 percent per annum. Beginning in the State Fiscal Year 2000 through 2001, Municipal Sales Tax Increment increased from \$628,314 to \$823,819, or approximately 31.1 percent. These large increases during these years are largely attributable to the opening of Home Depot and Cineplex, and the re-tenanting of the Shopping Center.

In calendar year 2000, Home Depot and Loews Cineplex began contributing to Distributed Net State Sales Tax Increment. Generally, during the first several years that a new retail store opens sales volumes increase rapidly and then stabilize. The increase in Municipal Sales Tax Increment from 2000 to 2001 is attributed, in large part, to an initial rapid sales acceleration of Home Depot before stabilization.

- It is assumed that overall sales within the Original Project Area are stabilized and no further increases (real or inflationary) over 2001 sales levels will occur. Annual Municipal Sales Tax Increment for the period 2002 through 2013 are assumed to remain constant.

### **Redevelopment Project Duration and Municipal Sales Tax Increment**

According to the Act, a municipality shall not receive from the State any share of the Illinois Tax Increment Fund unless such municipality deposits all of its Municipal Sales Tax Increment and the local share of Incremental Property Taxes into the Fund.

For redevelopment project areas for which bonds were issued before July 29, 1991, or for which contracts were entered into before June 1, 1988, in connection with a redevelopment project in the area within a State Sales Tax Boundary, the estimated dates of completion of the redevelopment project and retirement of obligations to finance redevelopment project costs may be extended by municipal ordinance to December 31, 2013.

The Outstanding Bonds were issued in September 1988 in connection with a redevelopment project within the Original Project Area, which is also the State Sales Tax Boundary. Amendment No. 3 extends the estimated dates of completion of the redevelopment project and retirement of obligations, with respect to the Original Project Area, to December 31, 2013.

- It is assumed that (i) retailers operating within the Original Project Area will collect and remit to the Illinois Department of Revenue the level of sales taxes estimated in this Report, (ii) the Redevelopment Plan will remain in place for the length of time required to complete the redevelopment project and retire the Bonds, and (iii) Municipal Sales Tax Increments will be remitted to the City and deposited into the Fund by the City at times and in amounts as estimated in this Report.

## V ESTIMATED PLEDGED REVENUES

This section summarizes the estimates of Pledged Revenues for distribution years 2002 through 2013, including Incremental Property Tax (years 2002 through 2010), Other City Revenue (years 2010 through 2013), and Sales Tax Increment (2002 through 2013). Summarized are the estimates of each source of Pledged Revenue.

### A. INCREMENTAL PROPERTY TAXES

Table 1, *Estimate of Future Incremental Property Taxes by Land Use*, presents JRG's estimates of Incremental Property Taxes by land use for the distribution period 2002 through 2010. Table 2, *Calculation of Estimated Future Incremental Property Tax Distribution*, illustrates the calculation of estimated future Incremental Property Taxes that may be generated by the Expanded Project Area for the distribution period 2002 through 2010. During this period Incremental Property Taxes are estimated to total \$13,932,341, ranging from \$1,461,163 in year 2002, to \$1,599,689 in 2007.

Estimated future Incremental Property Taxes in Table 2 are based on (i) the reassessment of land and improvements contained within the Expanded Project Area, and (ii) other assumptions and conditions contained in this Report. The estimates of Incremental Property Taxes contained in this Report assume that the EAV of the Expanded Project Area will remain at or above the estimated Certified Initial EAV. Failure of the EAV of the Expanded Project Area to remain above the estimated Certified Initial EAV may result in decreased levels of Incremental Property Taxes. Estimates of future Incremental Property Taxes assume no delays or reductions in real estate taxes as a result of taxpayers contesting their AVs, filing for Certificates of Error, filing bankruptcy petitions, or any other remedies taxpayers may seek to lower their tax obligations below that which is estimated in this Report.

As described earlier in the Report, the Loews Cineplex Theater located within the Original Project Area has filed for bankruptcy protection. The Loews Cineplex bankruptcy filing prevents its taxes from going to sale and a potential tax deed from being issued. However, taxes are still due and owing by Loews Cineplex or its successor.

**TABLE 1**  
**ESTIMATE OF FUTURE INCREMENTAL PROPERTY TAX BY LAND USE: 2002 - 2010**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

		Attribution of Estimated Future Incremental Property Tax Distributions By Land Use [2]							[4]
		Estimate of Pledged Incremental Property Tax by Land Use						Possible Future Single-Family Housing	
Assessment Year	Distribution Year	[1] TIF Year	Shopping Center	Home Depot	Loews Cineplex	[3] Other	Added Area	Total	
<b>Estimated Future IPT</b>									
2001	2002	16	\$560,940	\$355,501	\$394,222 [5]	\$150,500	n.a.	\$1,461,163	\$0
2002	2003	17	583,576	369,846	410,129 [5]	156,573	\$0	1,520,124	\$0
2003 *	2004	18	599,537	378,220	415,808 [5]	161,114	\$4,991	1,559,670	46,685
2004	2005	19	599,537	378,220	415,808 [5]	161,114	4,991	1,559,670	234,276
2005	2006	20	599,537	378,220	415,808 [5]	161,114	4,991	1,559,670	309,312
2006 *	2007	21	615,720	386,645	421,678 [5]	165,728	9,918	1,599,689	355,727
2007	2008	22	615,706	386,711	365,199	165,724	9,861	1,543,201	355,727
2008	2009	23	615,706	386,711	365,199	165,724	9,861	1,543,201	355,727
2009 *	2010	24	632,161	395,378	373,492	170,331	14,591	1,585,953	364,755
<b>TOTAL</b>			<b>\$5,422,420</b>	<b>\$3,415,452</b>	<b>\$3,577,343</b>	<b>\$1,457,922</b>	<b>\$59,204</b>	<b>\$13,932,341</b>	<b>\$2,022,209</b>

\* Indicates a triennial reassessment year in which EAV is adjusted upward by 2.0% per annum, or approximately 6.1% per triennial reassessment.

1. TIF Year based on Distribution Year.
2. Annual estimates of the Attribution of Estimated Future Incremental Property Tax Distribution for years 2002 through 2010 is based on a pro rata share of estimated total EAV for each respective year. The estimated pro rata share of EAV is illustrated in Exhibit E-1.
3. Beginning in Assessment/Distribution Year 2001/2002 Other EAV includes the estimated future EAV of parcels 20-33-305-027 and -028, which are assumed to remain vacant. The 2000 EAV of these parcels was \$323,506 and \$399,527, respectively. Prior to 2001, these parcels were not accurately coded to allocate IPT to the Special Tax Allocation Fund ("Fund"). Parcel 20-33-305-027 is a 1.9-acre improved industrial parcel located along 87th Street east of Parnell. Parcel 20-33-305-028 is a 14-acre unimproved vacant parcel located north of 87th Street and east of Parnell. Other EAV also includes parcels 20-33-305-025 and -031 owned by Ryerson Steel, who received through PTAB a reduction of \$757,075 in 2000 EAV. This reduced value for Ryerson Steel is used to estimate future EAV for the Ryerson Steel parcels.
4. The Estimated IPT Distribution attributed to the Possible Future Single-Family Housing Located at 87th and Parnell is not included in the estimate of Pledged Revenues.
5. Includes payment of 2000 property taxes by Loews Cineplex, pursuant to the bankruptcy judgement order that 2000 property taxes be paid within six years. For purposes of this Report, it is assumed that Loews Cineplex will pay its 2000 property taxes in equal installments over the six-year period 2002 through 2007.

**TABLE 2  
CALCULATION OF ESTIMATED FUTURE INCREMENTAL PROPERTY TAX DISTRIBUTIONS: 2002 - 2010  
CHATHAM RIDGE REDEVELOPMENT PROJECT**

Assessment Year	Distribution Year	[1] TIF Year	Estimated Future Incremental Property Tax (IPT) Distributions													
			Existing Land and Improvements					Possible Future Single-Family Housing								
			[2] Incremental EAV	x	[3] Tax Rate	x	[4] Distribution Rate	=	[5] Pledged IPT Distributions	[6] EAV	x	[3] Tax Rate	x	[4] Distribution Rate	=	[7] IPT Distributions
<b>Estimated Future IPT</b>																
2001	2002	16	\$20,607,640	x	7.788%	x	91.04255%	=	\$1,461,163	\$0	x	7.788%	x	94.7163%	=	\$0
2002	2003	17	\$20,607,640	x	7.788%	x	94.71631%	=	\$1,520,124	\$0	x	7.788%	x	94.7163%	=	\$0
2003 *	2004	18	\$21,979,113	x	7.492%	x	94.71631%	=	\$1,559,670	\$657,896	x	7.492%	x	94.7163%	=	\$46,685
2004	2005	19	\$21,979,113	x	7.492%	x	94.71631%	=	\$1,559,670	\$3,301,455	x	7.492%	x	94.7163%	=	\$234,276
2005	2006	20	\$21,979,113	x	7.492%	x	94.71631%	=	\$1,559,670	\$4,358,879	x	7.492%	x	94.7163%	=	\$309,312
2006 *	2007	21	\$23,434,530	x	7.207%	x	94.71631%	=	\$1,599,689	\$5,211,204	x	7.207%	x	94.7163%	=	\$355,727
2007	2008	22	\$22,607,008	x	7.207%	x	94.71631%	=	\$1,543,201	\$5,211,204	x	7.207%	x	94.7163%	=	\$355,727
2008	2009	23	\$22,607,008	x	7.207%	x	94.71631%	=	\$1,543,201	\$5,211,204	x	7.207%	x	94.7163%	=	\$355,727
2009 *	2010	24	\$24,151,508	x	6.933%	x	94.71631%	=	\$1,585,953	\$5,554,626	x	6.933%	x	94.7163%	=	\$364,755
<b>Total</b>									\$13,932,341							\$2,022,209

\* Indicates a triennial reassessment year in which EAV is adjusted upward by 2.0% per annum, or 6.1208% per triennial reassessment year.

1. TIF Year based on Distribution Year.
2. See Exhibit E-1 for a detailed estimate of future EAV of Existing Land and Improvements. Beginning in Assessment/Distribution Year 2001/2002 estimated EAV of Existing Land and Improvements includes parcels 20-33-305-027 and -028. In assessment year 2000 the EAV of these parcels were \$323,506 and \$399,527, respectively. Prior to 2001, these parcels were not properly coded to allocate their IPT to the special tax allocation fund (the "Fund"). On January 15, 2002, these parcels became properly coded, and the 2001/2002 incremental property tax attributed to these parcels is to be allocated to the Fund. Parcel -028 is currently vacant and may later be improved with 99 single-family homes. The estimate of EAV contained in this column excludes any EAV estimate of the possible future single-family homes. The estimate of future EAV for parcel -028 in this column is based solely on the parcel remaining vacant.
3. For purposes of estimating the future tax rates contained in this Report, a 3.8 percent average decline on tax rates is used between reassessment years. This average excludes the percent decline between the 1997 and 2000 reassessment years, since this decline is largely attributable to the recent unusual growth in residential valuation. Tax rates in non-reassessment years are held constant. See "Tax Rate" in Section IV for additional discussion.
4. The Distribution Rate for the period 2003 through 2010 is an estimate based on the 3-year average distribution rate for Agency 0725-9 during the period 1998/1999 through 2000/2001. See Exhibit E-3 for historic distributions and the calculation of this average. The Distribution Rate for 2002 is the 3-year average adjusted by a one-time refund of \$58,961 to Ryerson Steel.
5. Estimated Pledged Incremental Property Tax Distributions of Existing Land and Improvements for the period 2001 through 2010 is included in "Pledged Revenues".
6. The Estimate of Incremental EAV attributable to the Possible Future Single-Family Housing Located at 87th and Parnell (parcel 20-33-305-028) is based on estimates prepared by Johnson Research Group, Inc., dated 6/18/2002. See Exhibit E-2. The EAV estimate contained in this column is based solely on EAV over and above the estimated future EAV of this parcel remaining vacant. The estimated future EAV of this parcel remaining vacant is contained in the estimate of EAV for Existing Land and Improvements.
7. The Estimated Incremental Property Tax Distribution of the Possible Future Single-Family Housing Located at 87th and Parnell is not included in the estimate of Pledged Revenues.

## **B. OTHER CITY REVENUE**

Table 3, *Estimate of Other City Revenue*, presents JRG's estimates of Other City Revenue for the distribution period 2010 through 2013. JRG estimates that the City will deposit into the Fund from any municipal resource, other than funds in the Fund, approximately \$294,938 in 2010, \$309,564 in 2011, and \$302,251 in each of the following years 2012 and 2013. The higher amount in 2011 is due to an estimated one-time reconciliation deposit in 2011, which is the difference between the estimated 2011 and 2010 deposits, or \$7,313. The total amount deposited for these years is estimated to be approximately \$1,209,004.

In the event the possible single-family housing is constructed at 87<sup>th</sup> and Parnell and contributes to IPT during 2010, the City would deposit additional funds during the extended years in the amount of approximately \$68,424 in 2010, \$71,898 in 2011, and \$70,161 in years 2012 and 2013. The total additional amount deposited is estimated to be \$280,644. The Estimated Other City Revenue attributed to the Possible Future Single-Family Housing Located at 87<sup>th</sup> and Parnell is not included in the estimate of Pledged Revenues.

**TABLE 3**  
**ESTIMATE OF OTHER CITY REVENUE: 2010 - 2013**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

Distribution Year	[1] TIF Year	Estimate of Other City Revenue		
		Original Project Area Pledged Total	[2] Possible Future S-F Housing	Total Potential Other City Revenue
2010	24	\$294,938 [3]	\$68,424 [3]	\$363,362 [3]
2011	25	\$309,564 [3]	\$71,898 [3]	\$381,462 [3]
2012	26	\$302,251 [3]	\$70,161 [3]	\$372,412 [3]
2013	27	\$302,251 [3]	\$70,161 [3]	\$372,412 [3]
<b>TOTAL</b>		\$1,209,004	\$280,644	\$1,489,648

1. TIF Year based on Distribution Year.
2. The Estimated Other City Revenue attributed to the Possible Future Single-Family Housing Located at 87th and Parnell is not included in the estimate of Pledged Revenues. In the event the housing is constructed and contributes to IPT during the years 2009 and 2010, the City must then allocate that portion of IPT estimated to be generated by the housing to the Fund during years 2010 through 2013.
3. On May 29, 2002, the City adopted Amendment No. 3, which extends the State Sales Tax Increment obligations until 12/31/13 as allowed by the Act. This extension requires the City to continue to allocate an amount equal to its portion of incremental property taxes to the payment of debt service on the sales tax increment obligations. This amount is referred to as "Other City Revenue". For distribution years 2010 through 2013, Other City Revenue is an amount from any municipal source equal to the City's share of the Property Tax Increment deposited into the Fund by the City for the most recent year that the Property Tax Increment was distributed. This amount is assumed to be deposited into the Fund by the City in each of the following years: 2010, 2011, 2012 and 2013. This amount is calculated as a pro rata share of the 2009 Incremental Property Tax and 2010 Incremental Property Tax as follows.

<b>Other City Revenue is calculated as follows.</b>	<b>Existing Land and Improvements</b>	<b>Possible Future S-F Housing</b>	<b>Total Potential Other City</b>
<b>2010 Deposit</b>			
2008/2009 Incremental Property Tax*	\$1,533,340	\$355,727	\$1,889,067
x Estimated City Share**	19.235%	19.235%	19.235%
= 2010 Other City Revenue	<u>\$294,938</u>	<u>\$68,424</u>	<u>\$363,362</u>
<b>2011 Deposit</b>			
2009/2010 Incremental Property Tax*	\$1,571,362	\$364,755	\$1,936,117
x Estimated City Share**	19.235%	19.235%	19.235%
= City Share of 2010 Incremental Property Taxes	<u>\$302,251</u>	<u>\$70,161</u>	<u>\$372,412</u>
+ 2010 Reconciliation Deposit	\$7,313	\$1,737	\$9,050
= 2011, 2012 and 2013 Other City Revenue	<u>\$309,564</u>	<u>\$71,898</u>	<u>\$381,462</u>
<b>2012 and 2013 Deposit</b>			
2009/2010 Incremental Property Tax*	\$1,571,362	\$364,755	\$1,936,117
x Estimated City Share**	19.235%	19.235%	19.235%
= 2011, 2012 and 2013 Other City Revenue	<u>\$302,251</u>	<u>\$70,161</u>	<u>\$372,412</u>

\* Incremental Property Taxes used to calculate Other City Revenue includes only Incremental Property Taxes attributable to the Original Project Area.

\*\* City's pro rata share of Incremental Property Taxes is calculated as follows.

Estimated Total Tax Rate	7.788%
Estimated Tax Rate for the City	1.498%
Estimated City's pro rata share of Total Tax Rate	19.235%

Johnson Research Group, Inc.  
 June 18, 2002

## **C. SALES TAX INCREMENT**

Table 4, *Estimate of Future Sales Tax Increment by Land Use*, and Exhibit E-4, contained at the end of this Report, illustrate the estimates of future Sales Tax Increment for 2001, as well as the period 2002 through 2013. For this period the estimate of annual Sales Tax Increment is \$1,551,322, and total Sales Tax Increment is approximately \$18,615,864.

The estimate of future Sales Tax Increment is based, in large part, on Sales Tax Increment generated in calendar year 2001. Exhibit E-4, *Distributed Net State Sales Tax Increment: Fiscal Year 2001*, contained at the end of this Report illustrates the calculation of the State Fiscal Year 2001 sales volumes and Aggregate Sales Tax.

**TABLE 4**  
**ESTIMATE OF FUTURE SALES TAX INCREMENT BY LAND USE: 2002 - 2013**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

[1] Calendar Year	[2] TIF Year	Estimated Future Sales Tax Increments [3]				
		Loews Cineplex	Home Depot	Cub Foods	All Other Uses	Total
2002	16	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2003	17	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2004	18	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2005	19	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2006	20	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2007	21	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2008	22	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2009	23	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
<b>SUB-TOTAL W/O EXTENDED TERM</b>		\$463,832	\$6,573,144	\$1,102,296	\$4,271,304	\$12,410,576
2010	24	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2011	25	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2012	26	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
2013	27	\$57,979	\$821,643	\$137,787	\$533,913	\$1,551,322
<b>SUB-TOTAL OF EXTENDED TERM</b>		\$231,916	\$3,286,572	\$551,148	\$2,135,652	\$6,205,288
<b>TOTAL</b>		\$695,748	\$9,859,716	\$1,653,444	\$6,406,956	\$18,615,864

1. Calendar Year is for January 1 through December 31, and includes retail taxes extended on retail sales within the Original Project Area for the period October 1 of the previous year through September 30 of the current year.
2. TIF Year based on Calendar Year.
3. See Exhibits E-4, E-5 and E-6 for additional information on the calculation of these estimates.

**Johnson Research Group, Inc.**  
June 18, 2002

## **D. TOTAL PLEDGED REVENUES**

Table 5, *Estimate of Future Pledged Revenue by Land Use*, summarizes JRG's estimates of Pledged Revenues for the distribution period 2002 through 2013. Pledged Revenues for this period are estimated to total \$33,757,209.

Estimates of Pledged Revenues during the original term of the Redevelopment Plan (ending with distribution year 2010) are estimated to total \$26,342,917, ranging from \$3,012,485 in 2002 to \$3,151,011 in 2007. In the absence of the extended term, Pledged Revenue in 2010 is estimated to be approximately \$1,585,953. This amount includes Incremental Property Tax only. Sales Tax Increment during 2010 are part of the extended term and are shown in the extended term summary.

Estimates of Pledged Revenues during the extended term of the Redevelopment Plan (distribution years 2010 through 2013) are estimated to total \$7,414,292, ranging from \$1,846,260 in 2010, to \$1,853,573 in years 2012 and 2013, and \$1,860,886 in 2011.

The distribution year 2010 is listed in both the original term and the extended term. In the absence of the extended term, Incremental Property Taxes would be distributed in 2010 for taxes levied against 2009 assessments. However, Sales Tax Increment would not be distributed in 2010. The extended term allows for the distribution of Sales Tax Increment in 2010 as well as 2011, 2012 and 2013.

**TABLE 5**  
**ESTIMATE OF FUTURE PLEDGED REVENUE BY LAND USE: 2002 - 2013**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

[1] Calendar Year	[2] TIF Year	Estimated Future Pledged Revenues [3]					
		Original Project Area			Added Area	Other City Funds	Total
		Loews Cineplex	Home Depot	All Other Uses			
2002	16	\$452,201	\$1,177,144	\$1,383,140	n.a.	n.a.	\$3,012,485
2003	17	\$468,108	\$1,191,489	\$1,411,849	\$0	n.a.	\$3,071,446
2004	18	\$473,787	\$1,199,863	\$1,432,351	\$4,991	n.a.	\$3,110,992
2005	19	\$473,787	\$1,199,863	\$1,432,351	\$4,991	n.a.	\$3,110,992
2006	20	\$473,787	\$1,199,863	\$1,432,351	\$4,991	n.a.	\$3,110,992
2007	21	\$479,657	\$1,208,288	\$1,453,148	\$9,918	n.a.	\$3,151,011
2008	22	\$423,178	\$1,208,354	\$1,453,130	\$9,861	n.a.	\$3,094,523
2009	23	\$423,178	\$1,208,354	\$1,453,130	\$9,861	n.a.	\$3,094,523
2010	24	\$373,492	\$395,378	\$802,492	\$14,591	n.a.	\$1,585,953 [4]
<b>SUB-TOTAL W/O EXTENDED TERM</b>		\$4,041,175	\$9,988,596	\$12,253,942	\$59,204		\$26,342,917
2010	24	\$57,979	\$821,643	\$671,700	\$0	\$294,938	\$1,846,260
2011	25	\$57,979	\$821,643	\$671,700	\$0	\$309,564	\$1,860,886
2012	26	\$57,979	\$821,643	\$671,700	\$0	\$302,251	\$1,853,573
2013	27	\$57,979	\$821,643	\$671,700	\$0	\$302,251	\$1,853,573
<b>SUB-TOTAL OF EXTENDED TERM</b>		\$231,916	\$3,286,572	\$2,686,800	\$0	\$1,209,004	\$7,414,292
<b>TOTAL</b>		\$4,273,091	\$13,275,168	\$14,940,742	\$59,204	\$1,209,004	\$33,757,209

1. Calendar Year is for January 1 through December 31, and includes Sales Tax Increments within the Original Project Area for the period October 1 of the previous year through September 30 of the current year, and Incremental Property Taxes for the previous assessment year extended and collected in the current calendar year.
2. TIF Year based on Calendar Year.
3. See Tables 1, 2 and 3 and Exhibits E-1, E-2, E-3, E-4, E-5 and E-6 for additional information on the calculation of these estimates.
4. Includes Incremental Property Taxes only. Sales Tax Increments during 2010 are part of the extended term and are shown in the extended term summary.

Johnson Research Group, Inc.  
June 18, 2002

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## **VI EXHIBITS**

**EXHIBITS**

EXHIBIT E-1  
HISTORIC AND ESTIMATED FUTURE EAV: 1995 - 2009  
CHATHAM RIDGE REDEVELOPMENT PROJECT

Assessment Year	Distribution Year	[1] TIF Year	Estimated Incremental EAV										[8] Possible Future S-F Housing								
			Existing Land and Improvements [2]																		
			Current EAV					[3]													
			Shopping Center	Home Depot	Loews Cineplex			Other	Added Area	Total	[4,5,6,7] Certified Initial EAV	Incremental EAV									
Current	Portion of 2000 EAV	[11]																			
<b>Certified Initial (Base) EAV</b>																					
			\$879,839	+	\$155,327	+	\$159,606		+	\$174,653	=	n.a.	-	\$1,369,425	=	n.a.					
			\$879,839	+	\$155,327	+	\$159,606		+	\$287,473	=	n.a.	-	\$1,482,245	=	n.a.					
			\$879,839	+	\$155,327	+	\$159,606			\$1,144,387	=	n.a.	-	n.a.	=	n.a.					
			\$879,839	+	\$155,327	+	\$159,606		+	\$287,473	+	\$1,144,387	=	n.a.	-	\$2,626,632	=	n.a.			
<b>Historic EAV</b>																					
1995	1996	10	\$6,762,365	+	\$456,791	+	\$76,261		+	\$1,215,199	=	\$8,510,616	-	\$1,369,425	=	\$7,141,191	n.a.				
1996	1997	11	\$6,812,108	+	\$110,769	+	\$77,244		+	\$1,230,931	=	\$8,231,052	-	\$1,369,425	=	\$6,861,627	n.a.				
1997 *	1998	12	\$6,805,801	+	\$2,619,139	+	\$1,782,132		+	\$1,950,205	=	\$13,157,277	-	\$1,369,425	=	\$11,787,852	n.a.				
1998	1999	13	\$6,903,982	+	\$5,021,472	+	\$4,867,769		+	\$2,675,465	=	\$19,468,688	-	\$1,369,425	=	\$18,099,263	n.a.				
1999	2000	14	\$7,127,579	+	\$5,184,101	+	\$5,025,421		+	\$2,560,263	=	\$19,897,364	-	\$1,369,425	=	\$18,527,939	n.a.				
2000 *	2001	15	\$8,921,387	+	\$5,245,361	+	\$4,965,129		+	\$1,723,831	[10]	\$20,855,708	-	\$1,369,425	=	\$19,486,283	n.a.				
<b>Estimated Future EAV</b>																					
2001	2002	16	\$8,790,585	+	\$5,168,456	+	\$4,892,332	+	\$827,522	[11]	+	\$2,410,990	=	\$22,089,885	-	\$1,482,245	=	\$20,607,640	\$0		
2002	2003	17	\$8,790,585	+	\$5,168,456	+	\$4,892,332	+	\$827,522	[11]	+	\$2,410,990	+	\$1,144,387	=	\$23,234,272	-	\$2,626,632	=	\$20,607,640	\$0
2003 *	2004	18	\$9,328,639	+	\$5,484,807	+	\$5,191,782	+	\$827,522	[11]	+	\$2,558,562	+	\$1,214,433	=	\$24,605,745	-	\$2,626,632	=	\$21,979,113	\$657,896
2004	2005	19	\$9,328,639	+	\$5,484,807	+	\$5,191,782	+	\$827,522	[11]	+	\$2,558,562	+	\$1,214,433	=	\$24,605,745	-	\$2,626,632	=	\$21,979,113	\$3,301,455
2005	2006	20	\$9,328,639	+	\$5,484,807	+	\$5,191,782	+	\$827,522	[11]	+	\$2,558,562	+	\$1,214,433	=	\$24,605,745	-	\$2,626,632	=	\$21,979,113	\$4,358,879
2006 *	2007	21	\$9,899,626	+	\$5,820,521	+	\$5,509,561	+	\$827,522	[11]	+	\$2,715,166	+	\$1,288,766	=	\$26,061,162	-	\$2,626,632	=	\$23,434,530	\$5,211,204
2007	2008	22	\$9,899,626	+	\$5,820,521	+	\$5,509,561	+			+	\$2,715,166	+	\$1,288,766	=	\$25,233,640	-	\$2,626,632	=	\$22,607,008	\$5,211,204
2008	2009	23	\$9,899,626	+	\$5,820,521	+	\$5,509,561	+			+	\$2,715,166	+	\$1,288,766	=	\$25,233,640	-	\$2,626,632	=	\$22,607,008	\$5,211,204
2009 *	2010	24	\$10,505,562	+	\$6,176,783	+	\$5,846,790	+			+	\$2,881,356	+	\$1,367,649	=	\$26,778,140	-	\$2,626,632	=	\$24,151,508	\$5,554,626
<b>Estimated Pro rata Share of Incremental EAV [9]</b>																					
			<b>Total Loews Cineplex</b>																		
2001	2002	16	38.4%	24.3%			27.0%			10.3%		n.a.		100.00%							
2002	2003	17	38.4%	24.3%			27.0%			10.3%		0.0%		100.00%							
2003 *	2004	18	38.4%	24.3%			26.7%			10.3%		0.3%		100.00%							
2004	2005	19	38.4%	24.3%			26.7%			10.3%		0.3%		100.00%							
2005	2006	20	38.4%	24.3%			26.7%			10.3%		0.3%		100.00%							
2006 *	2007	21	38.5%	24.2%			26.4%			10.4%		0.6%		100.00%							
2007	2008	22	39.9%	25.1%			23.7%			10.7%		0.6%		100.00%							
2008	2009	23	39.9%	25.1%			23.7%			10.7%		0.6%		100.00%							
2009 *	2010	24	39.9%	24.9%			23.6%			10.7%		0.9%		100.00%							

See next page for footnotes.

**EXHIBIT E-1**  
**HISTORIC AND ESTIMATED FUTURE EAV: 1995 - 2009**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

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**FOOTNOTES**

*n.a. = not applicable*

\* Indicates a triennial reassessment year in which EAV is adjusted upward by 2.0% per annum, or 6.1208% in each triennial reassessment year.

1. TIF Year based on Distribution Year.
2. Estimated Incremental EAV of Existing Land and Improvements is the portion of Incremental EAV used to calculate Pledged Incremental Property Taxes.
3. Other EAV through Assessment Year 2000 excludes parcels 20-33-305-027 and -028, which through that year were not accurately coded to allocate IPT to the Special Tax Allocation Fund (the "Fund"). Beginning in Assessment/Distribution Year 2001/2002 "Other EAV" includes estimated future EAV of parcels 20-33-305-027 and -028 remaining vacant.
4. Certified Initial EAV through 2000 excludes parcels 20-33-305-027 and -028, which through that year were not properly coded to allocate IPT to the Fund.
5. On January 15, 2002, the Cook County Clerk corrected the Certified Initial EAV to include parcels 20-33-305-027 and -028. The Corrected Certified Initial EAV is first applied in assessment/collection year 2001/2002. The County issued the Certificate of Initial EAV for the Added Area on Friday, June 14, 2002, and is based on the 2000 EAV for parcels within the Added Area.
6. The Added Area is first included in the calculation of Incremental EAV in assessment/distribution year 2002/2003.
8. Estimated Incremental EAV of the "Possible Future Single-Family Housing Located at 87th & Parnell" to be located on parcel 20-33-305-028 is based on estimates prepared by Johnson Research Group, Inc. dated 6/18/2002. See Exhibit E-2. The Incremental EAV estimate contained in this column is based solely on EAV over and above the estimated future EAV of this parcel remaining vacant. The estimated future EAV of this parcel remaining vacant is contained in the estimate of EAV for Existing Land and Improvements.
9. The Estimated Pro Rata Share of EAV is used to estimate attributions of Future Incremental Property Tax Distributions by Land Use.
10. The reduction in EAV between 1999 and 2000 is attributable in part to a reduction in AV achieved through PTAB by Ryerson Steel for parcels 20-33-305-025 and -031. PTAB reduced the 2000 AV by \$340,488 from \$622,286 to \$281,798. This reduced value for Ryerson Steel is used to estimate future EAV for the Ryerson Steel parcels. The 2000 State Equalization Factor of 2.2235 (down from 2.2505 in 1999) is responsible for a decline of approximately \$31,000 in EAV between 1999 and 2000.
11. Pursuant to the Loews Cineplex bankruptcy judgement order, its 2000 property taxes are to be paid within six years. For purposes of this Report, it is assumed that Loews Cineplex will pay its 2000 property taxes in equal installments over the six-year period 2002 through 2007. Therefore, distribution years 2002 through 2007 include 1/6th of the 2000 EAV of Loews Cineplex.

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**Johnson Research Group, Inc.**  
June 18, 2002

**EXHIBIT E-2  
ESTIMATE OF ADDITIONAL INCREMENTAL TAXES: 2002 - 2010  
POSSIBLE FUTURE SINGLE-FAMILY HOUSING LOCATED AT 87TH AND PARNELL  
CHATHAM RIDGE TIF REDEVELOPMENT PROJECT AREA**

<b>Project Data</b>		<b>Single-Family Homes</b>		<b>Total</b>
Estimated Sales Price =	\$217,627 / d.u.	<b>Estimated EAV and Taxes (2002 dollars/2001 AV)</b>	Estimated Actual Market Value =	\$217,627
Estimated Tax Rate =	1.801% of sales price		Estimated Market Value Adjustment Factor =	65%
Estimated Taxes =	\$3,919 / d.u.		Assessor's Estimated Fair Market Value/d.u. =	\$141,458
Total Single-Family Homes =	99 d.u.		Assessment Rate =	0.16
Estimated Total Taxes =	\$388,011		Assessed Value/d.u. =	\$22,633
			Equalization Factor (2000) =	2.2235
			Estimated EAV/d.u. =	\$50,325
			Number of Single-Family Homes =	99
			Total EAV =	\$4,982,169
			2000 Tax Rate (Tax Code 72009) =	7.788%
			Total Taxes =	\$388,011
				\$388,011
<b>Estimated Additional Incremental EAV and Taxes</b>		<b>Total Land + Bldgs</b>		
		Total EAV =	\$4,982,169	
		Base EAV (2000 EAV) =	(\$399,527) [1]	
		Estimated Additional Incremental EAV =	\$4,582,642	
		2000 Tax Rate (Tax Code 72009) =	7.788%	
		Estimated Incremental Property Taxes =	\$356,896	

Assessment Year	Based on Year of Collection					Equalized Assessed Valuation			[2] Tax Rate	[3] Distribution Rate	Incremental Property Taxes Available for Project
	Collection Year	TIF Year	IPT Distribution Year	Project Year	Estimated Level of Assessment	Current	[1]				
							Base	Additional Incremental			
2001	2002	16	15	0	0%	\$399,527	(\$399,527)	\$0	7.788%	94.71631%	\$0
2002	2003	17	16	1	0%	\$399,527	(\$399,527)	\$0	7.788%	94.71631%	\$0
2003 *	2004	18	17	2	20%	\$1,057,423	(\$399,527)	\$657,896	7.492%	94.71631%	\$46,685
2004	2005	19	18	3	70%	\$3,700,982	(\$399,527)	\$3,301,455	7.492%	94.71631%	\$234,276
2005	2006	20	19	4	90%	\$4,758,406	(\$399,527)	\$4,358,879	7.492%	94.71631%	\$309,312
2006 *	2007	21	20	5	100%	\$5,610,731	(\$399,527)	\$5,211,204	7.207%	94.71631%	\$355,727
2007	2008	22	21	6	100%	\$5,610,731	(\$399,527)	\$5,211,204	7.207%	94.71631%	\$355,727
2008	2009	23	22	7	100%	\$5,610,731	(\$399,527)	\$5,211,204	7.207%	94.71631%	\$355,727
2009 *	2010	24	23	8	100%	\$5,954,153	(\$399,527)	\$5,554,626	6.933%	94.71631%	\$364,755

**NOTE:** The redevelopment project is located within the Chatham Ridge TIF Redevelopment Project Area, which was adopted on December 24, 1986.

\* Indicates a triennial reassessment year in which EAV is adjusted upward by  
2.0% per annum or 6.1208% per triennial reassessment year.

1. The Possible Future Single-Family Housing Located at 87th & Parnell is to be constructed on parcel 20-33-305-028. The Initial 1985 EAV of this parcel is \$0. However, for the purpose of estimating additional incremental property taxes the 2000 EAV of \$399,527 is used as the Base EAV.
2. For purposes of estimating the future tax rates contained in this Report, a 3.8 percent average decline on tax rates is used between reassessment years. This average excludes the percent decline between the 1997 and 2000 reassessment years, since this decline is largely attributable to the recent unusual growth in residential valuation. Tax rates in non-reassessment years are held constant. See "Tax Rate" in Section IV for additional discussion.
3. The Average Distribution Rate is based on the 3-year average distribution rate for the period 1998/1999 through 2000/ 2001. See Table E-3 for historic distributions and the calculation of this average.

**EXHIBIT E-3  
HISTORIC INCREMENTAL PROPERTY TAX DISTRIBUTIONS: 1996 - 2001  
CHATHAM RIDGE REDEVELOPMENT PROJECT**

Assessment Year	Distribution Year	TIF Year	Historic Incremental Property Tax (IPT) Distributions and Distribution Rates												
			[2]					[3]						[4]	
			Incremental EAV	Tax Rate	Potential IPT	Amount Distributed	Distribution Rate	Distribution Timing [3]				After 12/31 of Distribution Year			
1/01 - 6/30 of Distribution Year	%	7/01 - 12/31 of Distribution Year						%	Year	%					
<b>Historic IPT</b>															
1995	1996	10	\$7,141,191	9.345%	\$667,344	\$668,872	100.2290%	\$0	0.0%	\$641,944	96.0%	\$26,928	4.0%		
1996	1997	11	\$6,861,627	9.453%	\$648,630	\$641,098	98.8388%	\$0	0.0%	\$637,429	99.4%	\$3,669	0.6%		
1997	* 1998	12	\$11,787,852	8.843%	\$1,042,400	\$1,010,784	96.9670%	\$0	0.0%	\$959,558	94.9%	\$51,226	5.1%		
1998	1999	13	\$18,099,263	8.872%	\$1,605,767	\$1,499,577	93.3870%	\$0	0.0%	\$1,496,352	99.8%	\$3,225	0.2%		
1999	2000	14	\$18,527,939	8.536%	\$1,581,545	\$1,492,160	94.3482%	\$727,192	48.7%	\$762,769	51.1%	\$2,198	0.1%		
2000	* 2001	15	\$19,486,283	7.788%	\$1,517,592 [5]	\$1,110,095 [6]	73.1484%	\$567,196	51.1%	\$601,859	54.2% [7]	(\$58,961) [8]	####		
2000	* 2001		\$14,680,760 [9]	7.788%	\$1,143,338 [9]	\$1,110,095 [9]	97.0925%	\$567,196	51.1%	\$601,859	54.2% [7]	(\$58,961)	####		
Adjusted to reflect Loews Cineplex and Ryerson Steel [9]															
Average Distribution Rate [10]					\$4,330,650	\$4,101,832	94.7163% [10]								

See next page for footnotes.

**EXHIBIT E-3**  
**HISTORIC INCREMENTAL PROPERTY TAX DISTRIBUTIONS: 1996 - 2001**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

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**FOOTNOTES**

\* Indicates a triennial reassessment year.

1. TIF Year based on Collection Year.
2. Tax rate is for tax code 72009.
3. "Amount Distribution" and "Distribution Timing" are based on Record of Distribution Reports maintained by the Cook County Treasurer for Agency 0725-9, which adjusts gross collections for Certificates of Errors (C of Es), specific objections, returned checks, illegal rates, duplicated payments, overpayments, tax sales in error, interest earnings, and results at the Property Tax Appeals Board.
4. Distribution Rate is the Amount Distributed divided by Potential Incremental Property Taxes.
5. Potential IPT includes Loews Cineplex taxes, which are currently not paid, and excludes the \$58,961 paid by Ryerson and which will be credited to Ryerson pursuant to a PTAB assessed valuation reduction. The \$58,961 will be paid to Ryerson Steel from future taxes collected for the Chatham Ridge TIF Agency 0725-9.
6. Amount Distributed excludes the \$58,961 in taxes to be refunded to Ryerson Steel from future Incremental Property Taxes collected for the Chatham Ridge TIF Agency 0725-9.
7. Includes Distributions through 11/09/01, including the \$58,961 to be refunded to Ryerson against future taxes collected for the Chatham Ridge TIF Agency 0725-9.
8. Amount to be refunded to Ryerson Steel from future IPT collections for the Chatham Ridge TIF Agency 0725-9.
9. Excluded from Incremental EAV, Potential IPT and Amount Distributed are the amounts attributable to Loews Cineplex. Loews Cineplex filed bankruptcy, which prevents its taxes from being offered at the annual tax sale and a potential tax deed from being issued. Taxes are still due and owing by Loews Cineplex, and the bankruptcy judgement order requires Loews Cineplex to pay its 2000 taxes within six years. Finally, Incremental EAV, Potential IPT and Amount Distributed are adjusted to reflect the \$58,961 IPT refund attributable to the PTAB AV reduction for the Ryerson Steel parcels.
10. The Average Distribution Rate is based on the 3 year total distributions for the period 1998/1999 through 2000/2001 divided by the total Potential Incremental Property Tax for the same period. This average excludes Loews Cineplex for the 2000/2001 period, and adjusts for the Ryerson Steel tax refund. The computation of the 2000/2001 Distribution rate excludes the potential 2000/2001 tax payment and distribution attributable to Loews Cineplex. The impact of possible future tax collection losses attributable to Loews Cineplex can be estimated by examining Table 2, Calculation of Estimated Future Incremental Property Tax Distributions: 2001 - 2010.

**EXHIBIT E-4**

**DISTRIBUTED NET STATE SALES TAX INCREMENT: FISCAL YEAR 2001  
CHATHAM RIDGE REDEVELOPMENT PROJECT**

<b>Estimated Taxable Sales [2]</b>		<b>Est. \$ / SF [11]</b>	<b>FY 2001</b>	
Loews Cineplex [3]	66,563 SF	\$45.07 /SF	\$3,000,000	4.0%
Home Depot [4]	100,000 SF	\$373.00 /SF	\$37,300,000	49.4%
Shopping Center				
Cub Foods [5]	43,920 SF	\$250.00 /SF	\$10,980,000	14.5%
All Other [6]	145,950 SF	\$166.06 /SF	\$24,236,697	32.1%
<b>Total</b>	<b>356,433 SF</b>	<b>\$211.87 /SF</b>	<b>\$75,516,697</b>	<b>100.0%</b>
Sub-Total				
Without Cineplex Odeon	289,870 SF	\$250.17 /SF	\$72,516,697	96.0%

<b>Sales Tax Estimate</b>				<b>Percent</b>	
Loews Cineplex	25% of taxable sales @	2.00%	=	\$15,000	0.3%
	75% of taxable sales @	8.75%	=	\$196,875	3.3%
Home Depot	100% of taxable sales @	8.75%	=	\$3,263,750	55.1%
Shopping Center			=		
Cub Foods	85% of taxable sales @	2.00%	=	\$186,660	3.1%
	15% of taxable sales @	8.75%	=	\$144,113	2.4%
All Other	100% of taxable sales @	8.75%	=	\$2,120,711	35.8%

<b>State Portion</b>		<b>City Portion [9]</b>	
<b>Amount on</b>	<b>Percent</b>	<b>Amount on</b>	<b>Percent</b>
\$0		\$7,500	1.00%
\$112,500	3.44%	\$22,500	3.00%
\$1,865,000	57.00%	\$373,000	49.40%
	0.00%		
\$0	0.00%	\$93,330	12.30%
\$82,350	2.52%	\$16,470	2.20%
\$1,211,835	37.04%	\$242,367	32.10%
		[9]	
\$3,271,685	100.00%	\$755,167	100.00%

<b>Aggregate Sales Tax</b>		<b>\$5,927,109</b>	100.0%
- Payments to Local Tax Funds	3.75%	\$2,655,424	
<b>= State Sales Tax</b>	<b>5.00%</b>	<b>\$3,271,685</b>	
- Initial State Sales Tax Amount		\$0 [7]	
= Increased State Sales Tax Revenue		\$3,271,685	
- 3.0% Administration and Enforcement Fee		\$98,151	
<b>= State Sales Tax Increment ("SSTI")</b>		<b>\$3,173,534</b>	
x 80% of the 1st \$100,000 of SSTI		\$80,000	
x 60% of SSTI between \$100,000 and \$500,000		\$240,000	
x 40% of SSTI in excess of \$500,000		\$1,069,414	
<b>= Net State Sales Tax Increment</b>		<b>\$1,389,414</b>	[8]
/ Total Statewide Net State Sales Tax Increment		\$31,973,192 [8]	
= Calculation Percentage		4.3456% [8]	
x Authorized State Sales Tax Increment Expenditure		\$16,781,564 [10]	
<b>= Distributed Net State Sales Tax Increment [1]</b>		<b>\$729,260</b>	[8]

See next page for footnotes.

**EXHIBIT E-4**  
**DISTRIBUTED NET STATE SALES TAX INCREMENT: FISCAL YEAR 2001**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

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**FOOTNOTES**

1. *The State Fiscal Year includes the following sales period and quarterly distributions*

Sales Period Beginning	7/1/2000
Sales Period Ending	6/30/2001
Quarterly Payments Beginning	10/1/2000
Quarterly Payments Ending	7/1/2001
  
2. *Estimated taxable sales include the following occupancy assumptions.*

Loews Cineplex	100%
Home Depot	100%
Shopping Center	
Cub Foods	100%
All Other	100%
  
3. *Estimated FY 2001 Loews Cineplex sales are based on the following.*

Estimated 2001 patrons	1,200,000
x Estimated Average Concession Sales per patron	\$2.50
= Estimated Concession Sales	\$3,000,000

*Note: Number of seats = 2,878; number of screens = 14; Floor Area = 66,563 SF*
  
4. *Estimated FY 2001 Home Depot sales are based on total 2001 corporate sales as follows.*

Net FY 2000 (2/01/00 - 1/31/01) Sales (millions)	\$45,738,000,000
Total SF (enclosed)	122,764,000
= Average Net Sales Per SF	\$373

*Rounded to nearest dollar*
  
5. *Estimated FY 2001 Cub Foods sales based on ULI Dollars and Cents of Shopping Centers*
6. *Estimated sales for All Other Tenants is the difference between the total sales estimate and the sum of the sales estimates for Loews Cineplex, Home Depot, and Cub Foods. Sales per square foot is based on estimated FY 2001 taxable sales divided by the estimated floor area of the retailer.*
7. *Source: City of Chicago.*
8. *Source: State of Illinois, Department of Revenue. The Distributed Net State Sales Tax Increment is different than the amount provided by the City (\$727,502), which is based on the calendar year.*
9. *Based on Municipal Sales Tax Increment collected by the State for the State Fiscal Year 2001. The amount provided by the City for the City's 2001 Calendar Year is different than this amount due to different reporting periods.*
10. *Source: State of Illinois, Department of Revenue, and represents 0.27 percent of statewide state sales taxes.*
11. *Estimated sales per square foot is based on Estimated FY 2001 Sales divided by the estimated floor area of the retailer.*

**EXHIBIT E-5  
HISTORIC MUNICIPAL AND STATE SALES TAX INCREMENTS: 1996 - 2001  
CHATHAM RIDGE REDEVELOPMENT PROJECT**

[1] Calendar Year	[2] TIF Year	Historic Sales Tax Increment Distributions			
		[3] Municipal	Change from Prior Year	[4] State	Change from Prior Year
1996	10	\$104,647	n.a.	\$152,084	n.a.
1997	11	\$76,317	-27%	\$139,761	-8%
1998	12	\$121,682	59%	\$134,612	-4%
1999	13	\$554,410	356%	\$268,369	99%
2000	14	\$628,314	13%	\$639,529	138%
2001	15	\$823,820 [5]	31%	\$727,502 [5]	14%

1. Calendar year is for January 1 through December 31, and includes retail taxes extended on retail sales within the Original Project Area for the period October 1 of the previous year through September 30 of the current year.
2. TIF Year based on Distribution Year.
3. Source: City of Chicago and is based on calendar year.
4. Source: City of Chicago and is based on calendar year. These amounts are different from those provided by the Illinois Department of Revenue, which are based on the State's Fiscal Year. For example, the State reported total for 2001 is \$729,259.65.
5. The following tenants were observed to be operating within the Original Project Area in January 2002, and contributed 2001 Sales Tax Increments.

1 Harold's Chicken	10 Foot Action	19 Blockbuster
2 Grand Chinese Kitchen	11 Bally Total Fitness	20 Reggio's Pizzeria
3 Avenue	12 Cub Foods	21 Lube Pros
4 Subway	13 Dock's	22 Home Depot
5 City Sports	14 Dollar Bills	23 AutoZone
6 Moody Bookstore	15 One Price Clothing	24 Cineplex Odeon
7 Gold Express Jeweler	16 Payless Shoe Source	25 Dunkin Donuts
8 Marshalls	17 Super Trak	26 Seaway Bank
9 Chatham Beauty Supply	18 The Bedding Experts	27 Michael Reese Health

**Johnson Research Group, Inc.**  
June 18, 2002

**EXHIBIT E-6**  
**ESTIMATE OF FUTURE SALES TAX INCREMENT BY LAND USE: 2001 - 2013**  
**CHATHAM RIDGE REDEVELOPMENT PROJECT**

[1] Distribution Year	[2] TIF Year	Incremental Municipal Sales Tax Attributions [3]					Incremental State Sales Tax Attributions [3]				
		Loews Cineplex	Home Depot	Cub Foods	All Other	Total	Loews Cineplex	Home Depot	Cub Foods	All Other	Total
		4.00%	49.40%	14.50%	32.10%	100.00%	3.44%	57.00%	2.52%	37.04%	100.00%
2001	15	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2002	16	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2003	17	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2004	18	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2005	19	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2006	20	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2007	21	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2008	22	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2009	23	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2010	24	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2011	25	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
2012	26	\$32,953	\$406,967	\$119,454	\$264,446	\$823,820	\$25,026	\$414,676	\$18,333	\$269,467	\$727,502
TOTAL		\$395,436	\$4,883,604	\$1,433,448	\$3,173,352	\$9,885,840	\$300,312	\$4,976,112	\$219,996	\$3,233,604	\$8,730,024

1. Distribution Year is for January 1 through December 31, and includes retail taxes extended on retail sales within the Original Project Area for the period October 1 of the previous year through September 30 of the current year.
2. TIF Year based on Distribution Year.
3. See Exhibit E-4 for the calculation of estimated percent contribution of each major tenant to State and Municipal Sales Tax Increment.

**APPENDIX C**  
**OPINION OF CO-BOND COUNSEL**

September \_\_\_\_, 2002

City of Chicago  
City Hall  
121 North LaSalle Street  
Chicago, Illinois 60602

Legg Mason Wood Walker, Incorporated  
as Representative of the Underwriters  
225 West Washington Street  
Chicago, Illinois 60606

BNY Midwest Trust Company  
2 North LaSalle Street  
Suite 1020  
Chicago, Illinois 60602

We have acted as co-bond counsel in connection with the issuance and delivery by the City of Chicago (the "City") of \$17,935,000 aggregate original principal amount of its Tax Increment Allocation Bonds (Chatham Ridge Redevelopment Project), Series 2002 (the "Bonds").

In that regard, we examined a certified copy of the record of proceedings of the City, together with various accompanying certificates, pertaining to the issuance of the Bonds. The record of proceedings includes an Ordinance, adopted by the City Council of the City on May 29, 2002, providing for the issuance of the Bonds, the Notification of Sale of the Chief Financial Officer of the City in connection with the sale of the Bonds provided for in that Ordinance (together, the "Bond Ordinance"), the Trust Indenture, dated as of September 15, 2002 (the "Original Indenture"), from the City to BNY Midwest Trust Company, as Trustee (the "Trustee"), the First Supplemental Indenture, dated as of September 15, 2002, with respect to the Bonds (together with the Original Indenture, the "Indenture"), and certificates of officers of the City, the County of Cook, Illinois, the Trustee for the Bonds and the Underwriter for the Bonds as to various factual matters.

The Bonds are dated September 15, 2002, and mature finally on December 15, 2013, bear interest from their date until paid, payable semi-annually on June 15th and December 15th in each year, with the first interest payment date being December 15, 2002, at the rates per year established in the Indenture.

The Bonds are subject to redemption in advance of their maturity as provided in the Indenture.

Based upon this examination, we are of the opinion that:

1. The Bond Ordinance has been duly and lawfully adopted by the City, is in full force and effect and is valid and binding upon the City. The Indenture has been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represents a valid and binding agreement of the City enforceable in accordance with its terms.

2. The Bonds are valid and legally binding limited obligations of the City. The Bonds, together with additional bonds which may be issued in the future on a parity with the Bonds, have a claim for payment, as to principal, redemption premium, if any, and interest, on an equal and ratable basis solely from the Pledged Revenues (as defined in the Indenture) received by the City, including certain funds and accounts provided for in the Indenture, all as and to the extent and in the priority as provided for in the Indenture but subject to the Excluded Contractual Obligations (as defined in the Indenture). The Bonds do not have a claim for payment from taxes of the City.

3. Interest on the Bonds under present law is not included in “gross income” for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant in the Indenture to comply with all requirements which must be met in order for interest on the Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Bonds could be included in gross income for federal income tax purposes retroactive to the date the Bonds are issued. Interest on the Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Bonds will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the “branch profits tax” imposed on certain foreign corporations. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The interest on the Bonds is not exempt from present Illinois taxes.

The rights of owners of the Bonds, the obligations of the City and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights. Enforcement of provisions of the Bonds or the Indenture by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief.

Very respectfully yours,

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**Chatham-Ridge Redevelopment Project Area  
2002 Annual Report**

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**(2) AUDITED FINANCIALS – 65 ILCS 5/11-74.4-5(d)(2)**

Please see attached.

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE  
REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 2002

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

C O N T E N T S

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**BANSLEY AND KIENER, L. L. P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

125 SOUTH WACKER DRIVE

CHICAGO, ILLINOIS 60606-4496

AREA CODE 312 263-2700

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Richard M. Daley, Mayor  
Members of the City Council  
City of Chicago, Illinois

We have audited the accompanying financial statements of the Chatham-Ridge Redevelopment Project of the City of Chicago, Illinois, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Chatham-Ridge Redevelopment Project and do not purport to, and do not present fairly the financial position of the City of Chicago, Illinois, as of December 31, 2002, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chatham-Ridge Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2002, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City of Chicago has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2002.

The Management's Discussion and Analysis on pages 3 and 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Richard M. Daley, Mayor  
Members of the City Council

- 2 -

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures by statutory code on page 10, which is also the responsibility of the City of Chicago's management, is presented for purposes of additional analysis and is not a required part of the financial statements of Chatham-Ridge Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Bensley and Kiener, L.L.P.*

Certified Public Accountants

June 10, 2003

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

As management of the Chatham-Ridge Tax Increment Redevelopment Project Area (Project), we offer the readers of the Project's financial statements this narrative overview and analysis of the Project's financial performance for the year ended December 31, 2002. Please read it in conjunction with the Project's financial statements, which follow this section.

*Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the Project's basic financial statements. The Project's basic financial statements include three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information concerning the Project's expenditures by statutory code.

*Basic Financial Statements.* The basic financial statements include two kinds of financial statements that present different views of the Project – the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. These financial statements also include the notes to the financial statements that explain some of the information in the financial statements and provide more detail.

*Government-Wide Financial Statements* provide both long-term and short-term information about the Project's financial status and use accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the project's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Project's net assets and how they have changed. Net assets – the difference between the Project's assets and liabilities – is one way to measure the Project's financial health, or position.

*Governmental Fund Financial Statements* provide more detailed information about the Project's significant funds – not the Project as a whole. Governmental funds focus on: 1) how cash and other financial assets can readily be converted to cash flows and 2) the year-end balances that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more financial resources that can be spent in the near future to finance the Project. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the statements to explain the relationship (or differences) between them.

*Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements follow the basic financial statements.

*Other Supplementary Information.* In addition to the basic financial statements and accompanying notes, this report also presents a schedule of expenditures by statutory code. This supplementary information follows the notes to the financial statements.

*Condensed Comparative Financial Statements*

Governmental Funds

	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>% Change</u>
Total assets	\$29,191,546	\$12,139,099	\$17,052,447	140%
Total liabilities	<u>1,751,238</u>	<u>1,834,508</u>	<u>(83,270)</u>	(5)%
Total fund balance	<u>\$27,440,308</u>	<u>\$10,304,591</u>	<u>\$17,135,717</u>	166%
Total revenues	\$ 3,220,786	\$ 3,406,293	\$ (185,507)	(5)%
Total expenditures	<u>1,180,962</u>	<u>1,272,466</u>	<u>(91,504)</u>	(7)%
Excess of revenues over expenditures	<u>2,039,824</u>	<u>2,133,827</u>	<u>(94,003)</u>	(4)%
Proceeds of debt	17,906,858	-	17,906,858	
Payment to refunded bond escrow agent	<u>(2,810,965)</u>	<u>-</u>	<u>(2,810,965)</u>	
Ending fund balance	<u>\$27,440,308</u>	<u>\$10,304,591</u>	<u>\$17,135,717</u>	166%

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

*Analysis of Overall Financial Position and Results of Operations*

Property tax revenue for the Project was \$1,272,093 for the year. This was a decrease of 15 percent from the prior year. Excess of revenues over expenditures produced an increase in fund balance of \$2,039,824. The Project's fund balance increased by 166 percent (including proceeds of debt and payment to refunded bond escrow agent) from the prior year making available \$27,440,308 of funding to be provided for purposes of future redevelopment in the Project's designated area. The fund balance increased due to issuance of debt in the current year.

*Debt Administration*

Tax Increment Allocation Bonds outstanding at December 31, 2002 amounted to \$17,935,000. More detailed information about the Project's long-term liabilities is presented in Note 2 of the financial statements.

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2002

<u>ASSETS</u>	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and investments	\$27,178,180	\$ -	\$27,178,180
Property taxes receivable	1,698,173	-	1,698,173
Sales taxes receivable	224,396	-	224,396
Due from other City funds	56,319	-	56,319
Accrued interest receivable	34,478	-	34,478
Other assets	-	135,965	135,965
Total assets	<u>\$29,191,546</u>	<u>\$ 135,965</u>	<u>\$29,327,511</u>
 <u>LIABILITIES</u> 			
Vouchers payable	\$ 8,323	\$ -	\$ 8,323
Due to other City funds	45,182	-	45,182
Accrued interest payable	22,886	211,361	234,247
Deferred revenue	1,674,847	(1,674,847)	-
Bonds payable (Note 2):			
Due within one year	-	960,000	960,000
Due after one year	-	16,946,858	16,946,858
Total liabilities	<u>1,751,238</u>	<u>16,443,372</u>	<u>18,194,610</u>
 <u>FUND BALANCE/NET ASSETS</u> 			
Fund balance:			
Reserved for debt service	13,916,326	(13,916,326)	-
Designated for future redevelopment project costs	<u>13,523,982</u>	<u>(13,523,982)</u>	<u>-</u>
Total fund balance	<u>27,440,308</u>	<u>(27,440,308)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$29,191,546</u>		
Net assets:			
Restricted for debt service		15,465,120	15,465,120
Restricted for future redevelopment project costs		<u>(4,332,219)</u>	<u>(4,332,219)</u>
Total net assets		<u>\$11,132,901</u>	<u>\$11,132,901</u>
 Amounts reported for governmental activities in the statement of net assets are different because:			
Total fund balance - governmental funds			\$27,440,308
Deferred loss on defeasance			135,965
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.			1,674,847
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			(211,361)
Long-term liabilities applicable to the Project's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All long-term liabilities are reported in the statement of net assets.			<u>(17,906,858)</u>
Total net assets - governmental activities			<u>\$11,132,901</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Property tax	\$ 1,272,093	\$ 423,925	\$ 1,696,018
Sales tax	1,736,731	-	1,736,731
Interest	211,962	-	211,962
	<u>3,220,786</u>	<u>423,925</u>	<u>3,644,711</u>
Total revenues			
Expenditures/expenses:			
Capital projects	1,043,868	-	1,043,868
Debt service:			
Interest	137,094	211,361	348,455
	<u>1,180,962</u>	<u>211,361</u>	<u>1,392,323</u>
Total expenditures			
Excess of revenues over expenditures	2,039,824	212,564	2,252,388
Other financing sources/uses:			
Proceeds of debt	17,906,858	(17,906,858)	-
Payment to refunded bond escrow agent	(2,810,965)	2,810,965	-
	<u>17,135,717</u>	<u>(17,135,717)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses			
Change in net assets	-	2,252,388	2,252,388
Fund balance/net assets:			
Beginning of year	10,304,591	(1,424,078)	8,880,513
End of year	<u>\$ 27,440,308</u>	<u>\$ (16,307,407)</u>	<u>\$ 11,132,901</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental funds	\$ 17,135,717
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.	423,925
Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For governmental activities, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.	2,675,000
Deferred loss on defeasance	135,965
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(211,361)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, issuing debt increase bonds payable in the statement of net assets and does not affect the statement of activities.	<u>(17,906,858)</u>
Change in net assets - governmental activities	<u>\$ 2,252,388</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

(a) *Reporting Entity*

In December 1986, the City of Chicago (City) established the Chatham-Ridge Tax Increment Redevelopment Project Area (Project). The area has been established to finance improvements, leverage private investment and create and retain jobs. The Project is accounted for within the capital projects, debt service and special revenue funds of the City.

(b) *Government-Wide and Fund Financial Statements*

The accompanying financial statements of the Project have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB unanimously approved Statement No. 34 (as amended by Statement No. 37), *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and at a later date, Statement No. 38 *Certain Financial Statements Disclosures*. In fiscal year 2002, the City adopted these new standards. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Project's overall financial position and results of operations.
  - Government-wide financial statements prepared using the economic resources measurement focus and the *accrual basis of accounting* for all the Project's activities.
  - Fund financial statements, which focus on the Project's governmental funds *current financial resources measurement focus*.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

(c) *Measurement Focus, Basis of Accounting, and Financial Statements Presentation*

The government-wide financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The governmental fund financial statements are prepared on the *modified accrual basis of accounting* with only current assets and liabilities included on the balance sheet. Under *the modified accrual basis of accounting*, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end. Expenditures are recorded when the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

(d) *Assets, Liabilities and Net Assets*

*Cash and Investments*

Cash belonging to the City is generally deposited with the City Treasurer as required by the Municipal Code of Chicago. The City Comptroller issues warrants for authorized City expenditures which represent a claim for payment when presented to the City Treasurer. Payment for all City warrants clearing is made by checks drawn on the City's various operating bank accounts.

The City Treasurer and City Comptroller share responsibility for investing in authorized investments. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances.

The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

*Capital Assets*

Fixed assets are not capitalized in the governmental funds but, instead, are charged as current expenditures when purchased. The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) of the City includes the capital assets and related depreciation, if any, of the Project in which ownership of the capital asset will remain with the City (i.e. infrastructure, or municipal building). All other construction will be expensed in both the government-wide financial statements and the governmental funds as the City nor Project will retain the right of ownership.

(e) *Stewardship, Compliance, and Accountability*

*Illinois Tax Incremental Redevelopment Allocation Act Compliance*

The Project's expenditures include reimbursements for various eligible costs as described in subsection (q) of Section 11-74.4-3 of the Illinois Tax Incremental Redevelopment Allocation Act and the Redevelopment Agreement relating specifically to the Project. Eligible costs include but are not limited to survey, property assembly, rehabilitation, public infrastructure, financing and relocation costs.

*Reimbursements*

Reimbursements, if any, are made to the developer for project costs, as public improvements are completed and pass City inspection. The semi-annual principal and interest payments are made solely from incremental real property taxes, which are paid in the redevelopment district.

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

Note 2 – Bonds Payable

In September 2002, the City issued \$17,935,000 of Chatham-Ridge Tax Increment Revenue Bonds payable serially through December 15, 2013, beginning December 15, 2003. The bonds have interest rates ranging from 3.30 percent to 6.05 percent.

Net proceeds of \$17,304,842 together with \$753,623 of existing debt service reserve funds will be used to finance certain project costs in the Chatham-Ridge Redevelopment Project Area (\$13,454,000), fund the debt service reserve account (\$1,793,500) and to deposit (\$2,810,965) in an escrow account for the advance refunding of all of the outstanding Series 1987 bonds.

The advance refunding decreased the City's total debt service payments by \$703,007 and resulted in an economic gain of \$218,828 (the difference between the present values of the debt service on the old and new debt).

Long-term liability activity for the year ended December 31, 2002 was as follows:

	<u>1987 Series</u>	<u>2002 Series</u>
Beginning balance	\$ 2,675,000	\$ -
Additions	-	17,935,000
Reductions	<u>(2,675,000)</u>	<u>-</u>
	-	\$17,935,000
Less unamortized discount	<u>-</u>	<u>(28,142)</u>
Ending balance	<u>\$ -</u>	<u>\$17,906,858</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ 960,000</u>

The aggregate maturities of the bonds are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 960,000	\$1,144,309
2004	1,300,000	883,768
2005	1,380,000	835,668
2006	1,435,000	779,778
2007	1,495,000	716,638
2008-2012	7,790,000	2,362,913
2013	<u>3,575,000</u>	<u>216,288</u>
	<u>\$17,935,000</u>	<u>\$6,939,362</u>

SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS  
CHATHAM-RIDGE REDEVELOPMENT PROJECT

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

Code Description

Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, marketing	\$ 49,125
Costs of property assembly, including but not limited to acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, and the clearing and grading of land	411,018
Costs of the construction of public works or improvements	67,394
Cost of job training and retraining	8,323
Costs of financing, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto	<u>645,102</u>
	<u>\$ 1,180,962</u>

**Chatham-Ridge Redevelopment Project Area  
2002 Annual Report**

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**(3) MAYOR'S CERTIFICATION - 65 ILCS 5/11-74.4-5(d)(3)**

Please see attached.

STATE OF ILLINOIS        )  
  )  
COUNTY OF COOK         )

CERTIFICATION

TO:

Daniel W. Hynes  
Comptroller of the State of Illinois  
James R. Thompson Center  
100 West Randolph Street, Suite 15-500  
Chicago, Illinois 60601  
Attention: Carol Reckamp, Director of Local  
Government

Dolores Javier, Treasurer  
City Colleges of Chicago  
226 West Jackson Boulevard, Room 1125  
Chicago, Illinois 60606

Gwendolyn Clemons, Director  
Cook County Department of Planning &  
Development  
69 West Washington Street, Room 2900  
Chicago, Illinois 60602  
Attn: Jackie Harder

Kim Feeney, Comptroller  
Forest Preserve District of Cook County  
69 West Washington Street, Room 2060  
Chicago, Illinois 60602

Martin J. Koldyke, Chairman  
Chicago School Finance Authority  
135 South LaSalle Street, Suite 3800  
Chicago, Illinois 60603

David Doig, General Superintendent & CEO  
Chicago Park District  
541 North Fairbanks Court, 7th Floor  
Chicago, Illinois 60611

Arne Duncan, Chief Executive Officer  
Chicago Board of Education  
125 South Clark Street, 5th Floor  
Chicago, Illinois 60603  
Attn: Linda Wrightsell

Mary West, Director of Finance  
Metropolitan Water Reclamation District of  
Greater Chicago  
100 East Erie Street, Room 2429  
Chicago, Illinois 60611  
Attn: Joe Rose

Lawrence Gulotta, Treasurer  
South Cook County Mosquito Abatement  
District  
155th & Dixie Highway  
P.O. Box 1030  
Harvey, Illinois 60426  
Attn: Dr. K. Lime

I, RICHARD M. DALEY, in connection with the annual report (the "Report") of information required by Section 11-74.4-5(d) of the Tax Increment Allocation Redevelopment Act, 65 ILCS5/11-74.4-1 et seq., (the "Act") with regard to the Chatham-Ridge Redevelopment Project Area (the "Redevelopment Project Area"), do hereby certify as follows:

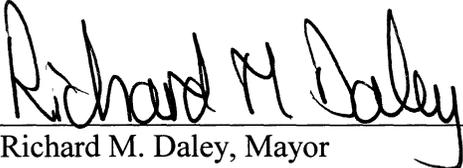
1. I am the duly qualified and acting Mayor of the City of Chicago, Illinois (the "City") and, as such, I am the City's Chief Executive Officer. This Certification is being given by me in such capacity.

2. During the preceding fiscal year of the City, being January 1 through December 31, 2002, the City complied, in all material respects, with the requirements of the Act, as applicable from time to time, regarding the Redevelopment Project Area.

3. In giving this Certification, I have relied on the opinion of the Corporation Counsel of the City furnished in connection with the Report.

4. This Certification may be relied upon only by the addressees hereof.

IN WITNESS WHEREOF, I have hereunto affixed my official signature as of this 30th day of June, 2003.

  
Richard M. Daley, Mayor  
City of Chicago, Illinois

**Chatham-Ridge Redevelopment Project Area  
2002 Annual Report**

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**(4) OPINION OF LEGAL COUNSEL - 65 ILCS 5/11-74.4-5(d)(4)**

Please see attached.



June 30, 2003

**City of Chicago**  
**Richard M. Daley, Mayor**

**Department of Law**

Mara S. Georges  
Corporation Counsel

City Hall, Room 600  
121 North LaSalle Street  
Chicago, Illinois 60602  
(312) 744-6900  
(312) 744-8538 (FAX)  
(312) 744-2963 (TTY)

<http://www.ci.chi.il.us>

Daniel W. Hynes  
Comptroller of the State of Illinois  
James R. Thompson Center  
100 West Randolph Street, Suite 15-500  
Chicago, Illinois 60601  
Attention: Carol Reckamp, Director of Local  
Government

Dolores Javier, Treasurer  
City Colleges of Chicago  
226 West Jackson Boulevard, Room 1125  
Chicago, Illinois 60606

Gwendolyn Clemons, Director  
Cook County Department of Planning &  
Development  
69 West Washington Street, Room 2900  
Chicago, Illinois 60602  
Attn: Jackie Harder

Kim Feeney, Comptroller  
Forest Preserve District of Cook County  
69 West Washington Street, Room 2060  
Chicago, Illinois 60602

Martin J. Koldyke, Chairman  
Chicago School Finance Authority  
135 South LaSalle Street, Suite 3800  
Chicago, Illinois 60603

David Doig, General Superintendent &  
CEO  
Chicago Park District  
541 North Fairbanks Court, 7th Floor  
Chicago, Illinois 60611

Arne Duncan, Chief Executive Officer  
Chicago Board of Education  
125 South Clark Street, 5th Floor  
Chicago, Illinois 60603  
Attn: Linda Wrightsell

Mary West, Director of Finance  
Metropolitan Water Reclamation District  
of Greater Chicago  
100 East Erie Street, Room 2429  
Chicago, Illinois 60611  
Attn: Joe Rose

Lawrence Gulotta, Treasurer  
South Cook County Mosquito Abatement  
District  
155th & Dixie Highway  
P.O. Box 1030  
Harvey, Illinois 60426  
Attn: Dr. K. Lime

Re: Chatham-Ridge  
Redevelopment Project Area (the "Redevelopment Project  
Area")

Dear Addressees:

I am Corporation Counsel of the City of Chicago, Illinois (the "City"). In such capacity, I am providing the opinion required by Section 11-74.4-5(d)(4) of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "Act"), in connection with the submission of the report (the "Report") in accordance with, and containing the information required by, Section 11-74.4-5(d) of the Act for the Redevelopment Project Area.



Attorneys, past and present, in the Law Department of the City familiar with the requirements of the Act have had general involvement in the proceedings affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following matters: approval of the redevelopment plan and project for the Redevelopment Project Area, designation of the Redevelopment Project Area as a redevelopment project area and adoption of tax increment allocation financing for the Redevelopment Project Area, all in accordance with the then applicable provisions of the Act. Various departments of the City, including, if applicable, the Law Department, Department of Planning and Development, Department of Housing, Department of Finance and Office of Budget and Management, have personnel responsible for and familiar with the activities in the Redevelopment Project Area affecting such Department(s) and with the requirements of the Act in connection therewith. Such personnel are encouraged to seek and obtain, and do seek and obtain, the legal guidance of the Law Department with respect to issues that may arise from time to time regarding the requirements of, and compliance with, the Act.

In my capacity as Corporation Counsel, I have relied on the general knowledge and actions of the appropriately designated and trained staff of the Law Department and other applicable City Departments involved with the activities affecting the Redevelopment Project Area. In addition, I have caused to be examined or reviewed by members of the Law Department of the City the certified audit report, to the extent required to be obtained by Section 11-74.4-5(d)(9) of the Act and submitted as part of the Report, which is required to review compliance with the Act in certain respects, to determine if such audit report contains information that might affect my opinion. I have also caused to be examined or reviewed such other documents and records as were deemed necessary to enable me to render this opinion. Nothing has come to my attention that would result in my need to qualify the opinion hereinafter expressed, subject to the limitations hereinafter set forth, unless and except to the extent set forth in an Exception Schedule attached hereto as Schedule 1.

Based on the foregoing, I am of the opinion that, in all material respects, the City is in compliance with the provisions and requirements of the Act in effect and then applicable at the time actions were taken from time to time with respect to the Redevelopment Project Area.

This opinion is given in an official capacity and not personally and no personal liability shall derive herefrom. Furthermore, the only opinion that is expressed is the opinion specifically set forth herein, and no opinion is implied or should be inferred as to any other matter. Further, this opinion may be relied upon only by the addressees hereof and the Mayor of the City in providing his required certification in connection with the Report, and not by any other party.

Very truly yours,



Mara S. Georges  
Corporation Counsel

**SCHEDULE 1**

(Exception Schedule)

No Exceptions

Note the following Exceptions:

# Chatham-Ridge Redevelopment Project Area 2002 Annual Report

## (5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2002		2002
<b>Revenues</b>		
Property tax	\$	1,272,093
Sales tax		1,736,731
Interest		211,962
Total revenues		3,220,786
<b>Expenditures</b>		
Costs of studies, admin., and professional services. (q)(1)		49,125
Marketing costs. (q)(1.6)		-
Property assembly, demolition, site preparation and environmental site improvement costs. (q)(2)		411,018
Costs of rehabilitation, reconstruction, repair or remodeling and of existing buildings. (q)(3)		-
Costs of construction of public works and improvements. (q)(4)		67,394
Cost of job training and retraining. (q)(5)		8,323
Financing costs. (q)(6)		645,102
Approved capital costs of overlapping taxing districts. (q)(7)		-
Cost of reimbursing school district for their increase costs caused by TIF assisted housing projects (q)(7.5)		-
Relocation costs. (q)(8)		-
Payments in lieu of taxes. (q)(9)		-
Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. (q)(10)		-
Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. (q)(11)(A-E)		-
Costs of construction of new housing units for low income and very low income households. (q)(11)(F)		-
Cost of day care services and operational costs of day care centers. (q)(11.5)		-
Total expenditures		1,180,962
Revenues over expenditures		2,039,824
<b>Other financing sources (uses)</b>		
Proceeds of debt		17,906,858
Payment to refunded bond escrow agent		(2,810,965)
Excess of revenues and other financing sources over expenditures and other financing sources		17,135,717
Fund balance, beginning of year		10,304,591
Fund balance, end of year	\$	27,440,308
<b>Fund balance</b>		
Reserved for debt service		13,916,326
Reserved for encumbrances		-
Designated for future redevelopment project costs	\$	13,523,982
Total fund balance	\$	<u>27,440,308</u>

## Chatham-Ridge Redevelopment Project Area 2002 Annual Report

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### (5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5) cont.

Below is listed all vendors, including other municipal funds, that were paid in excess of \$5,000 during the current reporting year.

Name	Service	Amount
Administrative Costs <sup>1</sup>	Administration	\$28,525
Teska Associates, Inc.	Consulting	\$14,668
Home Depot U.S.A., Inc.	Cost of Rehabilitation	\$411,018
HDR Engineering	Cost of Public Improvements	\$50,737
Chicago Department of Transportation	Cost of Public Improvements	\$16,657
Maximus, Inc.	Cost of Job Training	\$8,323
American National Bank	Financing Costs	\$712,496

<sup>1</sup> Costs relate directly to the salaries of Departments of Planning employees working solely on tax increment financing districts and their related fringe benefits.

**Chatham-Ridge Redevelopment Project Area  
2002 Annual Report**

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**(6) DESCRIPTION OF PROPERTY - 65 ILCS 5/11-74.4-5(d)(6)**

During 2002, the City did not purchase any property in the Project Area.

## **Chatham-Ridge Redevelopment Project Area 2002 Annual Report**

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### **(7) STATEMENT OF ACTIVITIES - 65 ILCS 5/11-74.4-5(d)(7)**

- (A)** Projects implemented in the preceding fiscal year.
- (B)** A description of the redevelopment activities undertaken.
- (C)** Agreements entered into by the City with regard to disposition or redevelopment of any property within the Project Area.
- (D)** Additional information on the use of all Funds received by the Project Area and steps taken by the City to achieve the objectives of the Redevelopment Plan.
- (E)** Information on contracts that the City's consultants have entered into with parties that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.
- (F)** Joint Review Board reports submitted to the City.
- (G)** Project-by-project review of public and private investment undertaken from 11/1/99 to 12/31/02, and of such investments expected to be undertaken in Year 2003; also, a project-by-project ratio of private investment to public investment from 11/1/99 to 12/31/02, and an estimated ratio of such investments as of the completion of each project and as estimated to the completion of the redevelopment project.

SEE TABLES AND/OR DISCUSSIONS ON THE FOLLOWING PAGES.

## **Chatham-Ridge Redevelopment Project Area 2002 Annual Report**

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### **(7)(A) - 65 ILCS 5/11-74.4-5(d)(7)(A)**

During 2002, no projects were implemented.

### **(7)(B) - 65 ILCS 5/11-74.4-5(d)(7)(B)**

Redevelopment activities undertaken within this Project Area during the year 2002, if any, have been made pursuant to i) the Redevelopment Plan for the Project Area, and ii) any Redevelopment Agreements affecting the Project Area, and are set forth on Table 5 herein by TIF-eligible expenditure category.

### **(7)(C) - 65 ILCS 5/11-74.4-5(d)(7)(C)**

During 2002, no agreements were entered into with regard to the disposition or redevelopment of any property within the Project Area.

## **Chatham-Ridge Redevelopment Project Area 2002 Annual Report**

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### **(7)(D) - 65 ILCS 5/11-74.4-5(d)(7)(D)**

The Project Area has received \$11,520,408 of property tax and sales tax (if applicable) increment since the creation of the Project Area. These amounts have been used to pay for project costs within the Project Area and for debt service (if applicable). The Project Area's fund balance as shown on Table 5 represents (on a modified accrual basis) financial resources (including increment) that have not been expended.

### **(7)(E) - 65 ILCS 5/11-74.4-5(d)(7)(E)**

During 2002, no contracts were entered into by the City's tax increment advisors or consultants with entities or persons that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.

### **(7)(F) - 65 ILCS 5/11-74.4-5(d)(7)(F)**

During 2002, no reports were submitted to the City by the Joint Review Board.

## Chatham-Ridge Redevelopment Project Area 2002 Annual Report

(7)(G) - 65 ILCS 5/11-74.4-5(d)(7)(G)

TABLE 7(G)  
PROJECT BY PROJECT REVIEW OF PUBLIC AND PRIVATE INVESTMENT  
AND RATIO OF PRIVATE TO PUBLIC INVESTMENT \*

Projects Undertaken in This Redevelopment Project Area	Private Investment Undertaken		Public Investment Undertaken		Ratio Of Private/Public Investment	
	11/1/1999 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/1999 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/1999 to End of Reporting FY	Ratio Estimated as of Project Completion
Project 1: Cineplex Odeon/ICE	n/a	\$12,804,231	\$164,317	\$3,751,058	n/a	3:1
Total:	n/a	\$12,804,231	\$164,317	\$3,751,058	n/a	n/a

Projects Estimated To Be Undertaken During 2003	Private Investment Undertaken	Public Investment Undertaken	Ratio of Private/Public Investment
Project 1: Lakeshore 87th Street Homes, L.L.C.	\$21,364,080	\$6,970,000	3:1
Total:	\$21,364,080	\$6,970,000	3:1

\* Each actual or estimated Public Investment reported here is, to the extent possible, comprised only of payments financed by tax increment revenues. In contrast, each actual or estimated Private Investment reported here is, to the extent possible, comprised of payments financed by revenues that are not tax increment revenues and, therefore, may include private equity, private lender financing, private grants, or other local, state or federal grants or loans.

Each amount reported here under Public Investment Undertaken, Amount Estimated to Complete the Project, is the maximum amount of payments financed by tax increment revenues that could be made pursuant to the corresponding Project's operating documents and may not necessarily reflect actual expenditures, if any, as reported in Sections 2 or 5 herein. The total public investment amount ultimately made under each Project will depend upon the future occurrence of various conditions set forth in the Project's operating documents.

Each amount reported here under Public Investment Undertaken, 11/1/1999 to End of Reporting FY, is cumulative from the date of execution of the corresponding Project to the end of the reporting year. Projects for which the last Public Investment made was prior to November 1, 1999 are not reported on this table.

**Chatham-Ridge Redevelopment Project Area  
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**(8) DOCUMENTS RELATING TO OBLIGATIONS ISSUED BY THE  
MUNICIPALITY - 65 ILCS 5/11-74.4-5(d)(8)(A)**

This information is contained in the official statements, limited offering memoranda, promissory notes or debt service schedules of such obligations. See attached.

## **Chatham-Ridge Redevelopment Project Area 2002 Annual Report**

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### **(9) ANALYSIS OF DEBT SERVICE - 65 ILCS 5/11-74.4-5(d)(8)(B)**

This information is contained in the official statements, limited offering memoranda, promissory notes or debt service schedules of such obligations. See attached.

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**(10) CERTIFIED AUDIT REPORTS - 65 ILCS 5/11-74.4-5(d)(9)**

Please see attached.

**Bansley and Kiener, L. L. P.**  
Certified Public Accountants

*Established 1922*

BERNARD J. SULLIVAN, C.P.A.  
RICHARD J. QUINN, C.P.A.  
PAUL A. MERKEL, C.P.A.  
JOHN W. SANEW III, C.P.A.  
THOMAS A. CERWIN, C.P.A.  
STEPHEN R. PANFIL, C.P.A.  
MICHAEL D. HUELS, C.P.A.  
ROBERT J. MARSCHALK, C.P.A.  
THOMAS J. CAPLICE, C.P.A.  
ROBERT J. HANNIGAN, C.P.A.  
GERARD J. PATER, C.P.A.  
VINCENT M. GUZALDO, C.P.A.  
TIMOTHY J. QUINN, C.P.A.  
MAUREEN B. SHANAHAN, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Richard M. Daley, Mayor  
Members of the City Council  
City of Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of net assets and governmental fund balance sheet of Chatham-Ridge Redevelopment Project of the City of Chicago, Illinois as of December 31, 2002, and the related statement of activities and governmental funds revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated June 10, 2003.

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act and Subsection (o) of Section 11-74.6-10 of the Illinois Industrial Jobs Recovery Law as they relate to the eligibility for costs incurred incidental to the implementation of the Chatham-Ridge Redevelopment Project of the City of Chicago, Illinois.

This report is intended for the information of the City of Chicago's management. However, this report is a matter of public record, and its distribution is not limited.

*Bansley and Kiener, L.L.P.*

Certified Public Accountants

June 10, 2003

# Chatham-Ridge Redevelopment Project Area 2002 Annual Report

## (11) GENERAL DESCRIPTION AND MAP

The Chatham-Ridge Redevelopment Project Area, as amended, is generally bounded by West 81<sup>st</sup> Street on the north, South Stewart Avenue on the east, the railroad right-of-way on the south, and South Vincennes Avenue on the west. The map below illustrates the location and general boundaries of the Project Area. For precise boundaries, please consult the legal description in the Redevelopment Plan.

